YOOX NET-A-PORTER GROUP

Annual Report 2016

YOOX NET-A-PORTER GROUP S.P.A.

VIA MORIMONDO 17 | 20143 MILAN

P.I./C.F. AND MILAN COMPANY REGISTER NO.: 02050461207 – R.E.A. NO.: MI-1656860

SHARE CAPITAL EURO 1.277.339,29

YOOX
NET-A-PORTER
GROUP

ANNUAL REPORT AS AT 31 DECEMBER 2016

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Chairman's Letter to the Shareholders

"The Board is immensely proud of the results achieved by YOOX NET-A-PORTER GROUP in 2016"

Dear Shareholders

Welcome to the second Annual Report of the YOOX NET-A-PORTER GROUP (YNAP). 2016 was YNAP's first full year as a company, following the merger of YOOX GROUP with THE NET-A-PORTER GROUP in October 2015. It was a milestone year for the company. As well as progressing with ordinary business, the Group lay down foundations for its long-term. Following months of development, the Group launched its Five Year Plan in July 2016, setting out its ambitious long-term business strategy. The results achieved by the Group last year are a powerful endorsement of that plan. They also demonstrate commitment to growing its business and further strengthening its position as the world's leading online luxury retailer.

The Board is proud of the Five Year Plan which sets out targets for 2015-2020 for organic net revenues CAGR of 17-20% and improved profitability to 11-13% in 2020. The Group expects to achieve these targets, continue gaining market share, and maintain its leadership position by harnessing the power of mobile and big data, investing in technological innovation and capturing new millennial customers.

The results achieved by the Group demonstrate that we are on track and delivering against the plan, despite external factors such as Brexit and currency fluctuations. In 2016 net revenues increased by 17.7% on an organic basis to Euro 1.9 billion with solid performances across all key geographic markets and business lines. Adjusted EBITDA increased by 17% to 156 million, with margin up to 8.3%. Adjusted net income also grew by 16.0% compared to 2015, up to Euros 69 million.

In 2016 YNAP welcomed 28.8 million average monthly unique visitors. Active customers increased to 2.9 million generating 8.4 million orders. We consolidated our leadership position in all of the sectors in which we operate. With growth exceeding luxury digital market share estimates, we also gained overall market share.

All business lines saw significant progress during the year, with brand additions and content enrichment strengthening both In-Season and Off-Season brand portfolios; the Online Flagship Stores portfolio was boosted by the development of new partnerships and important renewals.

Integration activities are progressing well and in November the Group successfully delivered the roll-out of a new Order Management System for former YOOX GROUP stores which was a key milestone towards a shared techno-logistics platform. Developments in key markets continued in 2016 with the ground-breaking new joint venture with the Alabbar family to create the Middle East's undisputed leader for online luxury retail.

The Outlook for 2017 is very positive and the Group remains confident in the ambitious targets of its Five Year Plan. People are key to YNAP's future success and the Group will continue to invest in the development of its employees, and promote an inclusive, diverse, innovative and collaborative culture, and create work environments that encourage and foster these values.

YNAP believes it has a responsibility – and also an opportunity – to create a more sustainable future. In April 2017 YNAP will publish its first Sustainability Report, focusing on the Group's activities in 2016. This builds on a tradition of previous Sustainability Reports published by YOOX GROUP. The Group will also launch its vision for a sustainable future, recognising that it must work as a catalyst, sharing knowledge, innovating and leading by example to translate this vision into a reality.

On behalf of the Board, I would like to thank everyone at the Company for their excellent work and dedication over the last year. We would also like to thank our customers, brand-partners - and shareholders - for their on-going trust and respect.

Raffaello Napoleone

Independent Chairman

YOOX
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REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Pursuant to article 123-*bis* of the consolidated finance act (TUF)
(traditional management and control model)

Issuer: YOOX NET-A-PORTER GROUP S.P.A. – Via Morimondo 17 – 20149 Milano
Website: www.ynap.com

Tax year to which the Report refers: 2016
Report approval date: 23 February 2017
Updated on 1 March 2017

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Glossary

Code/Code of Conduct: the Code of Conduct of listed companies approved on July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, available on the website www.borsaitaliana.it under "Borsa Italiana – Regulations - *Corporate Governance*".

Civil Code: the Italian Civil Code.

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

Reference year: the tax the Report refers to.

Merger: the merger by absorption into YOOX S.p.A. of Largenta Italia S.p.A., pursuant to Article 2504-bis of the Civil Code, which became effective on 5 October 2015.

Group: the group the company belongs to.

MAR: Regulation (EU) no. 596/2014 of the European Parliament and the Council of the European Union of 16 April 2014 on market abuse.

MTA: the Mercato Telematico Azionario, the Italian screen-based trading system 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. in force at the date of this Report.

Issuers' Regulation: the regulation issued by Consob with Resolution 11971 of 1999 concerning issuers (as subsequently amended).

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

Report: the report on corporate governance and ownership structure that companies must prepare pursuant to Article 123-bis of the TUF.

TUF: Legislative Decree 58 of 24 February 1998 (Consolidated Finance Act), as subsequently amended.

YOOX NET-A-PORTER GROUP, YNAP, Issuer or Company: YOOX NET-A-PORTER GROUP S.p.A., the issuer of the quoted shares referred to in the present report.

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Management and control bodies

BOARD OF DIRECTORS

CHIEF EXECUTIVE OFFICER	FEDERICO MARCHETTI[1]
CHAIRMAN	RAFFAELLO NAPOLEONE[2 3]
DIRECTORS	STEFANO VALERIO
	ROBERT KUNZE-CONCEWITZ[3 5 6]
	CATHERINE GÉRARDIN VAUTRIN[2 3 5]
	LAURA ZONI[4]
	ALESSANDRO FOTI[2 4 5]
	RICHARD LEPEU[4]
	GARY SAAGE
	EVA CHEN
	VITTORIO RADICE

BOARD OF STATUTORY AUDITORS

STANDING AUDITORS	MARCO MARIA FUMAGALLI – Chairman
	GIOVANNI NACCARATO
	PATRIZIA ARIENTI
DEPUTY AUDITORS	ANDREA BONECHI
	NICOLETTA MARIA COLOMBO

INDEPENDENT AUDITOR

	KPMG S.p.A.

SUPERVISORY BODY

	ROSSELLA SCIOLTI – Chairwoman
	MATTEO JAMES MORONI[7]
	ISABELLA PEDRONI

DIRECTOR RESPONSIBLE FOR PREPARING THE FINANCIAL STATEMENTS

	ENRICO CAVATORTA

HEAD OF INTERNAL AUDIT

	MATTEO JAMES MORONI

1 Executive Director in charge of the internal control and risk management system.
2 Member of the Control and Risk Committee.
3 Member of the Compensation Committee. The Board of Directors of 29 June 2016 amended the composition of the Committee by appointing the non-executive director Raffaello Napoleone in replacement of Director Stefano Valerio. The Committee is hence comprised of the Directors Robert Kunze-Concewitz (Chairman), Catherine Gérardin Vautrin and Raffaello Napoleone.
4 Member of the Directors' Appointments Committee. The Board of directors of 29 June 2016 amended the composition of the Committee by reducing members from four to three. The Committee is hence comprised of the Directors, all of whom already members of the Committee, Alessandro Foti (Chairman), Laura Zoni and Richard Lepeu.
5 Member of the Related-Party Transactions Committee
6 Lead Independent Director.
7 Appointed by the Board of Directors of 9 March 2016, which appointed Matteo James Moroni also as internal member of the Supervisory Body pursuant to Legislative Decree 231/2001 until the term of his office as Head of Internal Audit of the Company.

1. ISSUER PROFILE

The YOOX NET-A-PORTER GROUP is the world's leading online luxury fashion retailer. The Group is a Global company with Anglo-Italian roots, the result of a game-changing merger, which in October 2015, brought together YOOX GROUP and THE NET -A-PORTER GROUP; the two companies had revolutionized the luxury fashion industry since their birth in 2000. YOOX NET-A-PORTER GROUP has a unique business model, with its In-Season Multi-brand online stores NET-A-PORTER and MR PORTER, and Off-Season Multi-band online stores YOOX and THE OUTNET, as well as through a number of Online Flagship Stores "Powered by the YNAP". Since 2012 the Group has also been Kering's partner in a joint venture dedicated to the management of the Online Flagship Stores of the various luxury brands of the French group.

In 2016, YOOX NET-A-PORTER GROUP has joined forces with Symphony, an entity controlled by the family of Mohamed Alabbar to establish a revolutionary joint venture aimed at giving birth to the undisputed leader in luxury e-commerce in the Middle East.

YOOX NET-A-PORTER GROUP holds a unique position in the high-growth online luxury segment with more than 2.9 million active customers, 29 monthly unique visitors worldwide and total Net Revenues of EUR 1.9 billion in 2016. The Group has offices and operations in Europe, the United States, Japan, China and Hong Kong and delivers to more than 180 countries worldwide.

YOOX NET-A-PORTER GROUP is listed on the Milan Stock Exchange as YNAP. The ordinary shares of the Issuer were admitted to trading on the MTA on 3 December 2009, and on 23 December 2013 entered the FTSE MIB index, the main index of Borsa Italiana consisting of shares of the 40 leading Italian companies in terms of capitalisation and liquidity.

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 a General Meeting, a Board of Directors and a Board of Statutory Auditors.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ARTICLE 123-BIS OF THE TUF) AS AT 31/12/2016

A) SHARE CAPITAL STRUCTURE (ARTICLE 123-BIS, PARAGRAPH 1, LETTER A), OF THE TUF)

As at 31 December 2016, the subscribed and paid-up share capital was equal to Euro 1,337,413.05 represented by 133,741,305 shares divided into no. 90,835,167 ordinary shares and 42,906,138 shares with no voting rights (B Shares), all without indication of par value.

As at the date of this Report, the subscribed and paid-up share capital was EUR 1,338,193.05 represented by 133,819,305 shares, divided into no. 90,913,167 ordinary shares and 42,906,138 shares with no voting rights (B Shares), all without indication of par value.

Categories of shares the share capital is made of as at the date of this Report:

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED/UNLISTED	RIGHTS AND OBLIGATIONS
ORDINARY SHARES	90,913,167	67.94	MTA/FTSE MIB	A VOTING RIGHT IS ATTACHED TO EVERY SHARE. THE RIGHTS AND OBLIGATIONS OF HOLDERS OF ORDINARY SHARES ARE SET OUT IN ARTICLE 2346 *ET SEQ.* OF THE CIVIL CODE. SEE SECTION 16 OF THIS REPORT FOR MORE INFORMATION.
B SHARES	42,906,138	32.06	UNLISTED	SHARES WITHOUT VOTING RIGHTS. THE RIGHTS AND OBLIGATIONS OF HOLDERS OF B SHARES ARE SET OUT IN THE APPLICABLE ARTICLES OF ASSOCIATION.

On 5 October 2016, following the exercise by Richemont Holdings (UK) Limited ("**RH**") of the statutory right provided for by article 5, paragraph 5 of the Issuer's articles of association to convert B shares into ordinary shares in order to re-establish its

shareholding to 25% of the voting share capital, no. 1,999,495 new YNAP S.p.A. ordinary shares have been issued and allotted to RH. As a consequence the conversion, RH interest is equal to no. 22,693,459 ordinary shares and no. 42,906,138 B Shares.

Since 2000, the Issuer has implemented share-based incentive plans, with a view to provide the Group with an incentive tool to promote loyalty among directors, managers and employees. The stock option plans represent, for people with strategic roles that are key to the success of the Company and the Group, an ongoing incentive to maintain adequate management standards, improve Group performance by meeting set targets, increase Group competitiveness and create value for shareholders. For more information on incentive plans as at 31 December 2016, see the Information Document prepared pursuant to Article 84-bis of the Issuers' Regulation and held at the Company registered office, also available on the Company website at www.ynap.com (section on Governance) in accordance with the applicable legislative framework and the remuneration report prepared pursuant to Article 123-*ter* of the TUF and Article 84-*quater* of the Issuers' Regulation, on the Company website at www.ynap.com (section on Governance) in accordance with the applicable legislative framework.

B) RESTRICTIONS ON THE TRANSFER OF SHARES (ARTICLE 123-BIS, PARAGRAPH 1, LETTER B), OF THE TUF)

Pursuant to Article 5, paragraph 4, of the articles of association, every holder of B Shares may freely dispose of those shares, with the exception of 1 (one) B Share that must remain in the ownership of the holder of the B Shares for a period of 5 (five) years from the effective date of the Merger. To this end, every holder of B Shares will be considered jointly with every other holder of B Shares qualifying as his/her related party under the IASs/IFRSs from time to time in force, so that, when several holders of B Shares are related parties as defined above. The said obligation shall be understood as fulfilled when one of the parties own a B share. Without prejudice to the above limit, if B Shares are attributed to parties other than the related parties (as defined above), the B Shares shall be automatically converted into ordinary shares in a ratio of 1:1.

Except as provided in Article 5, paragraph 4, of the above-mentioned articles of association, there are no statutory restrictions on the transfer of securities, limits on ownership or acceptance clauses governing the Issuer or other shareholders. More precisely, as at the date of this Report, the shareholders' agreements described in the following paragraph g) are in force.

C) MAJOR 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 above 3% of the share capital, directly or through pyramid structures or cross shareholdings, as detailed in communications made pursuant to Article 120 of the TUF, are reported in the table below:

DECLARING PARTY	DIRECT SHAREHOLDER	% SHARE OF ORDINARY VOTING SHARE CAPITAL**	% SHARE OF THE TOTAL SHARE CAPITAL (ORDINARY VOTING + B SHARES)**
COMPAGNIE FINANCIÈRE RUPERT	RICHEMONT HOLDING (UK) LIMITED	24.962	49.021
RENZO ROSSO	*RED CIRCLE INVESTMENTS S.R.L.*	3.563	2.420
	RED CIRCLE S.R.L. UNIPERSONALE	1.764	1.199
	RENZO ROSSO	0.378	0.257
		5.705	3.876
FEDERICO MARCHETTI	*FEDERICO MARCHETTI*	4.687	3.184
	MAVIS S.R.L.	0.994	0.676
		5.681	3.859
MOHAMED ALI RASHED ALABBAR	ALABBAR ENTERPRISES S.À R.L.	3.928	2.669
CAPITAL RESEARCH AND MANAGEMENT COMPANY	CAPITAL RESEARCH AND MANAGEMENT COMPANY	3.617	2.457
FIL LIMITED	FIL LIMITED	3.187	2.165

(*) RH holds all the no. 42,906,138 B shares issued by YNAP.
(**) The percentages mentioned in the above table refer to the ordinary share capital including YNAP's own shares (see paragraph i) of this Report)

D) SHARES GRANTING SPECIAL RIGHTS (ARTICLE 123-BIS, PARAGRAPH 1, LETTER D), OF THE TUF)

Shares that grant special controlling rights or special powers have not been issued.

The articles of association do not contain provisions relating to multiple or majority voting rights pursuant to Article 127-5 of the TUF.

E) EMPLOYEE SHAREHOLDINGS: PROCEDURE FOR EXERCISING VOTING RIGHTS (ARTICLE 123-BIS, PARAGRAPH 1, LETTER E), OF THE TUF)

There is no employee shareholding plan in place.

F) RESTRICTIONS ON VOTING RIGHTS (ARTICLE 123-BIS, PARAGRAPH 1, LETTER F), OF THE TUF)

As defined in Article 5 of the company's articles of association, B shares do not grant voting rights in the ordinary or extraordinary general meetings, on the understanding, however, that employees who fully own B shares benefit from any other administrative or corporate rights associated with ordinary shares and rights reserved for holders of special shares in accordance with the applicable and binding provisions.

In addition, Article 14 of the articles of association, with reference to the appointment of the Board of Directors, provides that two directors are appointed on the Board of Directors from the list presented by a board member who also holds B shares, as specified in paragraph 4.1 of this Report.

G) AGREEMENTS PURSUANT TO ARTICLE 122 OF THE TUF (ARTICLE 123-BIS, PARAGRAPH 1, LETTER G), OF THE TUF)

With respect to the existence of relevant shareholders' provisions as defined in Article 122 of the TUF, the Issuer is aware of the following agreements in force as at the date of this Report relating to the Issuer's shares.

When the Merger Agreement (i.e., the agreement regulating the Merger, executed on 31 March 2015 between YNAP (formerly YOOX), on the one side, and Compagnie Financére Richemont S.A. ("**Richemont**") and RH, on the other side) was signed on 31 March 2015, the Company, on the one hand, and Richemont and RH, on the other, entered into an agreement containing significant shareholders' agreements pursuant to Article 122 of the TUF, intended to govern principles relating to certain aspects of the corporate governance of the Company, the rules that apply to the equity investments held by RH in the Company and the relative transfer the ("**Shareholders' Agreement**"). The Shareholders' Agreement includes, *inter alia*, provisions relating to the reappointment and renewal of the Chief Executive Officer, intended to preserve the independence of Company management, the composition of the Directors' Appointments Committee and the adoption of new share-based incentive plans, in accordance with the principles of the Shareholders' Agreement itself. The Shareholders' Agreement also provides for a commitment on the part of RH, for a period of three years from the effective date of the merger, not to transfer or otherwise dispose of shares of the Company (ordinary shares and B Shares), either directly or indirectly, representing: *(i)* 25% of the total share capital of YNAP, including at least one B Share; and *(ii)* 25% of the company's shares issued for the capital increase under the mandate approved by the General Meeting of 21 July 2015, subscribed by RH.

These restrictions do not limit RH's right to take part - under the terms and conditions stipulated in the articles of association – to a takeover bid or share swap offer to all the Issuer's shareholders or to shareholders representing at least 60% of the company's share capital. Lastly, under the Shareholders' Agreement, neither Richemont, nor any of its affiliated companies, may, without the prior written consent of YNAP, for a period of three years from the effective date of the merger, purchase shares or other financial instruments of YNAP (including stock options or derivatives relating to the company's shares), without prejudice to the right to subscribe to any newly issued shares of YNAP issued due to the exercise of the mandate by the Board of Directors or any other subsequent increase in the company's capital.

On the same date, Richemont and Federico Marchetti entered into an agreement (the "**Lock-Up Agreement**"), where Mr Marchetti undertook, for the shorter between *(x)* a period of three years from the effective date of the Merger and *(y)* the time when Mr Marchetti holds the position of Chief Executive Officer, not to dispose of any newly issued shares of the Company subscribed by him in any capital increase resolved upon in future by YNAP and in the execution of any new incentive plan.

On 18 April 2016, the Company and Alabbar Enterprises S.à r.l. ("**Alabbar Enterprises**") entered into a subscription agreement governing Alabbar Enterprises commitment to invest in the Company share capital, by subscribing and paying-up for newly issued ordinary shares (the "**New Shares**") in the context of the Company's capital increase to be reserved in subscription for Alabbar Enterprises. The Subscription Agreement contains a lock-up provision relevant under art. 122 of the TUF (the "**Lock-up Clause**") binding Alabbar Enterprises to YNAP.

Under the Lock-up Clause, effective as of 22 April 2016, Alabbar Enterprises may not, without the Company's written consent, which may not be unreasonably withheld: (I) offer, sale, undertake to sell or otherwise dispose of New Shares, or enter into any other contract the purpose or effect of which is the transfer of New Shares or of any other right thereupon, in any form, including any financial instrument granting the right to purchase, subscribe, convert and/or exchange New Shares, except for (a) the creation of a security interest over New Shares in connection with the "permitted equity financing" (the "**Permitted Guarantee**"); or (b) any temporary transfer in respect of the operation of "re-hypothecation" rights (a "**Temporary Transfer** ") relating to New Shares pursuant to, or in connection with, the "permitted equity financing" (including the counterparty/funding party's right to combine New Shares with other Company ordinary shares, being understood and agreed that (a) the investor will agree with the counterparty/funding party upon any Temporary Transfer provided that the counterparty/funding party has consented, in writing, (x) not to use New Shares for short sales or other trading purposes and (y) to return to the Investor, upon request, the New Shares or equivalent Company shares for the purpose of allowing the Investor to vote or in any case to exercise its rights relating to the New Shares, so that the Investor will be able to maintain the voting right and all rights pertaining thereto in respect of New Shares at any meeting; and (b) returning obligations undertook pursuant to the aforementioned Temporary Transfer are *de facto* conditional upon the performance of the counterparty/funding party); or (c) the transfer of New Shares (both as a consequence of an enforcement through appropriation or sale, and in other cases) based on the enforcement of a Permitted Guarantee issued to the funding party as collateral for the "permitted equity financing"; or (II) enter into any derivative contract relating to New Shares or put in place any transaction on derivatives triggering one of the above described consequences.

For more information on the shareholders' agreements described above, see the key information on the Shareholders' Agreement, the Lock-Up Agreement and the Lock-up Clause, drafted and published pursuant to Article 122 of the TUF and Article 130 of the Issuers' Regulation and available on the Company website at the address www.ynap.com (Governance Section).

The Issuer is not aware of the existence of any other agreements between the shareholders.

H) CHANGE OF CONTROL CLAUSES (ARTICLE 123-BIS, PARAGRAPH 1, H), OF THE TUF) AND PROVISIONS IN THE ARTICLES OF ASSOCIATION ON THE SUBJECT OF TAKEOVER BIDS (ARTICLE 104, PARAGRAPH 1-TER, AND ARTICLE 104-BIS, PARAGRAPH 1, OF THE TUF)

With respect to significant agreements that take effect, are amended or are invalidated as a result of the change of control of the contracting company, a Joint Venture agreement has been signed between the Issuer and Kering SA (formerly PPR S.A.) a financial agreement between the company and the European Investment Bank which gives the contracting parties the option to withdraw from the contract in certain cases where there is a change in the Issuer's controlling interests. Attention is also drawn to the administration contract signed by the Issuer with the Chief Executive Officer, Federico Marchetti. For more information, see the remuneration report prepared pursuant to Article 123-*ter* of the TUF and Article 84-*quater* of the Issuers' Regulation, available on the Company's website at the address www.ynap.com (Governance Section).

For more information on the change of control clauses in the framework of the stock option plan outstanding at 31 December 2016, see the Informative Documents prepared pursuant to Article. 84-bis of the Issuers' Regulation, available at the Company's registered office and on the Company's website www.ynap.com (Governance section.)

The companies controlled by the Issuer have not signed significant binding agreements. They take effect, are amended or expire following a change in the control of the contracting company. The Extraordinary General Meeting of 5 May 2011 resolved to apply to the right under Article 104, paragraph 1-*ter* of the TUF by introducing an express exemption to the passivity rule into the articles of association, in paragraphs 5 and 6 of Article 6. Specifically, Article 6 of the articles of association stipulate 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 hinder 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 hinder the achievement of the objectives of the offer.

Article 5 of the articles of association provides that, in case of a takeover bid or share swap offer for at least 60% of the ordinary shares of the Company, all shareholders holding B Shares, notwithstanding the provisions in paragraphs 4 and 5 from the same Article 5, must be able to convert, in the ratio of 1:1, all or part of the B Shares held (and communicate the decision to convert), for the sole purpose of transferring to the offer the ordinary shares deriving from conversion; in such a case, however, the conversion will only be effective if the offer itself is successful, and only applies to shares brought to the offer that are actually transferred to the offeror. In such cases, the Board of Directors is obliged to do everything to ensure that (i) the ordinary shares deriving from the conversion request (A) are issued by the end of the trading day preceding the settlement date for the takeover bid or share swap offer and (B) where applicable, are admitted to trading in the same regulated market as the ordinary shares, under the procedures and within the deadlines set by the applicable regulations, and (ii) the company's articles of association are updated according to the conversion. On 11 November 2015, the Board of Directors conferred separately upon the Chief Executive Officer, the Chairman and the Vice Chairman of the Board of Directors the power to implement the above activities for the conversion of B Shares into ordinary shares.

The articles of association do not provide for the application of the neutralisation rule set out in Article 104-*bis*, paragraphs 2 and 3, of the TUF.

I) DELEGATION OF POWER TO INCREASE THE SHARE CAPITAL AND AUTHORISATION TO PURCHASE TREASURY SHARES (ARTICLE 123-BIS, PARAGRAPH 1, LETTER M), OF THE TUF)

In the context of the Merger and in line with the Merger Plan, the Extraordinary Shareholders' Meeting of 21 July 2015 resolved, *inter alia,* to grant the Board of Directors with a delegation, pursuant to article 2443 of the Italian Civil Code (the "**Delegation**"), to be exercised within three years from the effective date of the merger, to increase the share capital, on one or more occasions, for cash consideration and in one or more tranches, for a maximum amount of EUR 200 million (inclusive of share premium, if any), by an aggregate maximum number of shares not exceeding 10% of the share capital of the post-merger, by offering the newly issued shares:

(i) to existing shareholders, granting the option right; or

(ii) to qualified investors pursuant to art. 34-ter, paragraph 1, lett. b) of Consob Regulation no. 11971/1999, as subsequently amended and supplemented (the "Consob Regulation"), with exclusion of option rights pursuant to article 2441, paragraph 4, second indent, or article 2441, paragraph 5, of the Italian Civil Code; or

(iii) to strategic and/or industrial partners of the Issuer, with exclusion of option rights pursuant to article 2441, paragraph 4, second indent, or article 2441, paragraph 5, of the Italian Civil Code; or

(iv) through a combination of the aforementioned three alternatives.

Under the delegation of powers, the aforesaid Extraordinary Shareholders' Meeting has also laid down that (i) the decisions to increase the share capital (or related single tranches) which provides for the exclusion of the option right shall fix the issue price of the shares (or the parameters to calculate it) in accordance with the procedures and criteria that may be applicable from time to time, (ii) the decisions to increase the share capital shall fix the portion of the share issue price to be charged to the share capital and the issue price portion to be charged to a premium price.

On 22 April 2016 a capital increase for an amount of EUR 100 million, as partial exercise of the Delegation, was executed by way of resolution of the Board of Directors on 18 April 2018 and following the execution of the Subscription Agreement entered into on the same date between YNAP and Alabbar Entrerprises, as per the above paragraph G) – "Agreements pursuant to article 122 of the TUF (article 123-bis, paragraph 1, letter g), of the TUF)".
The amount of said capital increase is below the maximum amount of EUR 200 million authorised by the Extraordinary Shareholders' Meeting of 21 July 2015, because of a lower financial need compared to what has been previously estimated.

The capital increase has been executed by issuing no. 3,751,428 ordinary shares (equal to 3.928% of the current ordinary share capital) at a price of Euro 28.00 per share corresponding to a premium equal to 5.7% compared to the closing price of 18 April 2016 for an aggregate amount of EUR 100 million (inclusive of share premium).

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The Ordinary Shareholders' Meeting of 27 April 2016, after revocation of the authorization granted on 30 April 2015, authorised transactions to purchase and dispose of treasury shares (i) for the purposes envisaged by market practice relating to the purchase of treasury shares for the constitution of a bank of shares as allowed by Consob, pursuant to Article 180, paragraph 1, letter c) of the TUF, in Resolution 16839 of 19 March 2009, in conformity with the operating conditions established for the aforesaid market practices, and by Regulation (EC) No 2273/2003 of 22 December 2003, where applicable, and in particular (i) for the possible use of shares as payment in extraordinary transactions, including share swaps with other parties as part of transactions in the Company's interest, or (ii) 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. As regards the purpose under (ii), please note that the Company has in place equity based incentive plans to service which treasury shares owned by the Company may be destined.

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

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

- gave the Board of Directors, in the persons of the President of the Board and of the Chief Executive Officer, jointly and severally, a mandate to identify the number of shares to purchase in relation to each of the above-mentioned aims prior to the launch of each individual purchasing plan and to proceed with the purchasing of shares under the conditions and for the purposes referred to above, assigning it the broadest powers for the execution of the purchasing transactions as part of the shareholder 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 Issuers' Regulations, as amended, taking into account market practices relating to the purchase of own shares allowed by Consob pursuant to Article 180, paragraph 1, lett. c) of the TUF with resolution no. 16839 of 19 March 2009 and the EC Regulation no. 2273/2003 of 22 December 2003, where applicable;

- authorised the Board of Directors, in the persons of the President of the Board and of the Chief Executive Officer, jointly and severally, pursuant to Article 2357-*ter* of the Civil Code, to make available, at any time, in full or in part, on one or more occasions, treasury shares purchased on the basis of the shareholder 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 the same 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, assigning the most far-reaching powers for the execution of the sale transactions under the Shareholders' Meeting resolution, as well as all other related formalities, including the possible appointment of intermediaries enabled pursuant to the law and with the right to appoint persons with special powers of attorney, notwithstanding that (a) deeds of sale made under the scope of extraordinary transactions, including the exchange of stakes with other persons, can take place at the price or figure which will be in line with the transaction, by reason of the characteristics and nature of the actual transaction and also taking into account the performance of the market; and that (b) the deeds of sale for treasury shares for servicing any plans for the distribution of share options or shares to directors, employees and collaborators of the Company or its subsidiaries can take place at the price determined by the competent corporate bodies under the scope of these plans, taking into account the performance of the market and regulations, including tax regulations, that may apply, or free of charge, where this has been established by the competent corporate bodies with reference to free treasury share allocation schemes, all in full compliance of the conditions and methods, including operational, established by the application provisions of Consob Resolution 16839 of 19 March 2009 and Regulation (EC) No 2273/2003 of 22 December 2003, where applicable, with no time limit on this authorisation.

Said Meeting resolved, in accordance with applicable laws and regulations, that the purchases of shares as authorised shall fall within the limits of the distributable income and the available reserves resulting from the last set of balance-sheet accounts (including annual accounts) approved at the time the operation is implemented and that following the purchase and offer of equity shares, the necessary accounting adjustments are made pursuant to the applicable legal provisions and accounting standards.

Finally, the Ordinary Shareholders' Meeting of 27 April 2016 acknowledged that, as from 3 July 2016, the legislative references to the EC Regulation no. 2273/2003 of 22 December 2003 were to be considered replaced by the provisions of EU Regulation no. 596/2014 of 16 April 2014 relating to market abuse and by ESMA (European Securities and Markets Authority) "technical standards", as well as by the temporary provisions in force and applicable.

On today's date, YNAP holds 17,339 treasury shares, equal to 0.019% of the current share capital (equal to EUR 909,131.67, divided into 90,913,167 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 YNAP pursuant to Article 93 of the TUF.

***

With reference to further information pursuant to Article 123-*bis* of the TUF, please note that:

- with regard to information on agreements between the Company and the directors which involve compensation in the case of resignation or unfair dismissal, or if the relationship ceases following a takeover bid (Article 123-*bis*, paragraph 1, letter i)), see the remuneration report prepared pursuant to Article 123-*ter* of the TUF and Article 84-*quater* of the Issuers' Regulation available in accordance with the law in the Governance section of the Company website at www.ynap.com;

- for information regarding the appointment and replacement of directors (Article 123-*bis*, paragraph 1, letter l), part one) see section 4.1 below;

- for information on the main features of the risk and internal control management system (Article 123-*bis*, paragraph 2, letter b)), see sections 10 and 11 below;

- for information on the mechanisms of the General Meeting, its main powers, shareholders' rights and how they may be exercised (Article 123-*bis*, paragraph 2, letter c)), see section 16 below;

- for information on the composition and functioning of the management and control bodies and their committees (Article 123-*bis*, paragraph 2, letter d)), see paragraphs 4, 6, 7, 8, 10, 13 and 14 below.

3. COMPLIANCE

The Issuer has made the Code publicly available on the website of the Corporate Governance Committee on the page http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf.
With specific reference to the compliance with Criterion 3.C.1 letter e) of del Code, please refer to the subsequent paragraph 4.6 of this Report.

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

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT OF DIRECTORS

The Company is managed by a Board of Directors comprised of a minimum of 5 (five) and a maximum of 15 (fifteen) directors, fulfilling the gender balance requirement pursuant to Article 147-*ter*, paragraph 1-*ter*, of Legislative Decree 58/1998, as introduced by Law no. 120 of 12 July 2011. The directors' term is a maximum of three years, expiring on the date of the General Meeting called to approve the financial statements of the last year of their term. Directors may be re-elected. Before making the appointments, the General Meeting determines the number of directors and the Board's term of office.

All directors must comply with the requirements of eligibility, professionalism and integrity provided for by law and other applicable provisions. A minimum number of directors, no fewer than that established by the regulations in force, must fulfil the independence requirements prescribed by the provisions or regulations from time to time in force (the "**Independent Directors**"). Directors will lose their positions if they no longer fulfil the requirements. The failure by a director to fulfil the independence requirements prescribed by Article 148, paragraph 3, of the TUF will not result in the loss of his/her position if the requirements continue to be met by the minimum number of directors pursuant to the regulations in force. In any case, independent directors undertook to meet the independence requirements for the entire term of their office and to notify without delay the Board of Directors should they no longer meet the independence requirements.

Also see section 4.6 below for information on the independence requirements of members of the Board.

Directors are appointed by the General Meeting, in accordance with rules from time to time in force governing balanced gender representation, based on the lists presented - in compliance with the law and regulations from time to time in force and the articles of association - in which candidates meeting the requirements stipulated by the law and regulations from time to time in force must be listed in numerical order.The outgoing Board and shareholders that, when the list is presented, 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 Issuers' Regulation, may submit a list for the appointment of directors. In this regard, with Resolution 19856 of 25 January 2017, Consob set the shareholding required to present candidate lists for the election of the Issuer's Board in the year ended 31 December 2016 at 1% of the share capital. Ownership of the minimum shareholding percentage is established on the basis of the shares registered to the shareholder on the day on which the lists are submitted to the Issuer; the relative certificates may also be produced after submission, as long as this takes place by the date set for publication of the lists.

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

Lists containing three or more candidates must be made up of candidates from both genders, so that the less-represented gender constitutes at least one-third of the candidates (rounded up).

Furthermore, the lists contain, also in annexes:

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

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

(iii) for lists presented by shareholders, the identities of the presenting shareholders and their total equity investment;

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

It is prohibited for any shareholder or shareholders that are part of a shareholders' agreement pursuant to Article 122 of the TUF, and the related parties of these shareholders, to present or take part in the presentation, either personally or through a fiduciary company, of more than a single list, or to vote for different lists, and each candidate may appear on only one list, under penalty of ineligibility. Adhesions and votes cast in breach of this regulation will not be attributed to any list.

After the vote, the members of the Board of Directors will be elected according to the following criteria:

A) (i) from the list that obtained the highest number of votes (the "**Majority List**"), all the directors are drawn, in order of presentation, except for candidates drawn from any of the lists described in points (ii) and (iii) below;

(ii) from any list presented by a shareholder also holding shares without voting rights (i.e. holding B Shares) (hereinafter the "**Limited-Vote Shareholder**", and the "**List presented by the Limited-Vote Shareholder**"), two directors are drawn, in order of presentation. If lists are presented by several Limited-Vote Shareholders that are not related parties, the directors will be drawn from the list that obtained the highest number of votes among these lists;

(iii) from the list - other than the Majority List and other than the List presented by the Limited-Vote Shareholder - that obtained the highest number of votes and is not related, including indirectly, to the shareholders presenting or voting for the Majority List or the List presented by the Limited-Vote Shareholder, pursuant to the applicable provisions (the "**Minority List**"), one director is drawn, i.e. the person who appears beside the number one on the list.

(iv) if there is no List presented by the Limited-Vote Shareholder or no Minority List, the directors or director that would have been drawn from these lists are drawn from the Majority List.

B) In addition to and in clarification of the points under letter A) above, it is determined that:

(i) any List presented by a Limited-Vote Shareholder will produce two directors, also if it is the list that obtains the highest number of votes; therefore, in this event, the Majority List will be regarded, for the purposes of calculating which directors to elect, as the list obtaining the second-highest number of votes;

(ii) a list that, despite obtaining the highest number of votes and despite not being presented by a Limited-Vote Shareholder, has all three of the following characteristics - (x) it was presented by shareholders and therefore not by the

Board of Directors pursuant to the articles of association, (y) it was voted for by a Limited-Vote Shareholder, and (z) it obtained a higher number of votes than the other lists only by virtue of the deciding vote cast by a Limited-Vote Shareholder - will also be regarded in the same way as the List presented by a Limited-Vote Shareholder, and will therefore produce only two directors, pursuant to A) (ii) above,

(iii) if the Majority List is the list presented by the Board of Directors, and no list is presented or voted for by any Limited-Vote Shareholder, all the directors to be elected will be drawn from the Majority List, except for the director drawn from any Minority List;

(iv) if only one list is presented, and unless this list was presented by a Limited-Vote Shareholder, the General Meeting votes on it, and if it obtains a relative majority of the votes, without taking abstentions into account, the candidates listed are elected as directors in order of presentation;

(v) if (x), there are lists other than Lists presented by Limited-Vote Shareholders that obtained equal numbers of votes (the "**Tied Lists**") and (y) there are no lists that obtained a higher number of votes than the Tied Lists, the Majority List and the Minority List will be identified as follows:

(a) if the list presented by the Board of Directors is one of the Tied Lists, it will be regarded as the Majority List. If there is only one other Tied List, this will be regarded as the Minority List; if there is more than one, the Minority List will be identified by applying the criterion described in point (b) to determine the Majority List;

(b) if the list presented by the Board of Directors is not one of the Tied Lists, the Tied Lists will be ordered according to the size of the equity investment held by the shareholder that presented the list (or the shareholders that presented the combined list) when the list was presented, or, alternatively, according to the number of shareholders jointly presenting the list: the first list in the order will be regarded as the Majority List and the second as the Minority List;

(vi) if there are Tied Lists and a Majority List, the Minority List will be identified by applying, *mutatis mutandis*, the rules set out in point (v) above to determine the Majority List.

If the election of the candidates in the manner described above does not ensure the appointment of a number of independent directors equal to the minimum number stipulated in law in relation to the total number of directors, the necessary replacements will be made in the Majority List, or in the equivalent list, according to the order of presentation of the candidates and starting with the last elected candidate. Similarly, if the composition of the body does not comply with the regulations relating to gender equality, taking into account the order on the list, the last persons elected on the Majority List (or equivalent list) of the more-represented gender forfeit their places in the necessary numbers to ensure compliance with requirements, and are replaced by the first candidates not elected on the same list of the less-represented gender. If there are no candidates of the less-represented gender on the Majority List (or equivalent list) in sufficient numbers to proceed with the replacement, the General Meeting completes the body by majority voting, ensuring that the requirements are satisfied.

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

If there are no lists, or if the number of directors elected based on the lists presented is, for any reason, less than the number of directors to be elected, the members of the Board of Directors are appointed by the General Meeting by legal majority, without observing the above process, whilst ensuring that (i) the total minimum number of independent directors complies with the regulations in force and that (ii) the rules governing balanced gender representation are complied with.

Lastly, under Article 14 of the articles of association, if for any reason one or more directors cease to hold their posts, they will be replaced pursuant to Article 2386 of the Civil Code, whilst ensuring that (i) the total minimum number of independent directors complies with the regulations in force and that (ii) the rules governing balanced gender representation are complied with.

The Chairman is appointed by the Ordinary General Meeting through simple majority voting, or is appointed by the Board of Directors in accordance with the articles of association.

If the majority of directors appointed by the General 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 General Meeting to appoint the new Board of Directors.

SUCCESSION PLANS

Having considered the size and organizational structure of the Issuer, as well as the fact that the role of executive director is granted to individuals who have gained a significant experience within the Company, the Board of Directors held on 23 February 2017 deemed not necessary to adopt a plan for the succession of executive directors.

The Board of Directors will assess the opportunity to adopt a succession plan again in the course of exercise 2017 and only where it proves to be a tool capable of effectively ensure the timely replacement of the Chief Executive Officer should he cease from his office early.

4.2 COMPOSITION

The Issuer's Board in office at the date of this Report comprises 11 (eleven) members:

- the following 7 (seven) members were appointed by the General Meeting of 30 April 2015, based on the two lists presented (six members were taken from List 1, presented by the outgoing Board of Directors, and the remainder were taken from List 2, presented by a group of institutional investors) pursuant to the articles of association in force at the said date:
    - Raffaello Napoleone (Chairman)
    - Federico Marchetti (executive director)
    - Stefano Valerio (Vice Chairman – executive director)
    - Robert Kunze-Concewitz (Lead Independent director)
    - Catherine Gérardin Vautrin
    - Laura Zoni
    - Alessandro Foti
- the Directors Richard Lepeu and Gary Saage were appointed by the Ordinary General Meeting of 21 July 2015 with effect from effective date of the Merger, and
- 2 (two) additional independent members, namely Eva Chen and Vittorio Radice, were appointed by the Ordinary General Meeting of 16 December 2015.

The percentage of the share capital required to present lists for the appointment of the Board of Directors on 30 April 2015 was 1%.

The Board will remain in office until the date of the General Meeting called to approve the financial statements for the year ended 31 December 2017.

On 24 February 2017 the non executive Board Member Gary Saage submitted his resignations from the office of Director of the Company, effective as of the date of the Company's Shareholders Meeting called to approve the financial statements as at 31 December 2016 to be held on 21 April 2017.

Composition of the Board of Directors at the date of this Report

NAME	POSITION	YEAR OF BIRTH	IN OFFICE SINCE	IN OFFICE UNTIL	M/m LIST	EXEC.	NON EXEC.	INDEP. CODE	INDEP. TUF	ATTENDANCE %	OTHER POSITIONS
FEDERICO MARCHETTI	CHIEF EXECUTIVE OFFICER	1969	30/04/2015 FIRST APPOINTED: 04/02/2000	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M	X				100	0
RAFFAELLO NAPOLEONE	CHAIRMAN	1954	30/04/2015 FIRST APPOINTED: 02/07/2004	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M		X	X (*)	X	87.5	0
STEFANO VALERIO	VICE CHAIRMAN	1970	30/04/2015 FIRST APPOINTED: 10/05/2006	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M	X				87.5	0
CATHERINE GÉRARDIN VAUTRIN	DIRECTOR	1959	30/04/2015 FIRST APPOINTED: 21/04/2010	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M		X	X	X	75	1
LAURA ZONI	DIRECTOR	1965	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M		X	X	X	87.5	0
ROBERT KUNZE-CONCEWITZ	DIRECTOR	1967	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M		X	X	X	75	2
ALESSANDRO FOTI	DIRECTOR	1963	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	m		X	X	X	100	2
RICHARD LEPEU	DIRECTOR	1952	21/07/2015 (**) FIRST APPOINTED: 21/07/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	-		X			100	1
GARY SAAGE	DIRECTOR	1960	21/07/2015 (**) FIRST APPOINTED: 21/07/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	-		X			100	1
EVA CHEN	DIRECTOR	1979	16/12/2015 FIRST APPOINTED: 16/12/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	-		X	X	X	87.5	0
VITTORIO RADICE	DIRECTOR	1957	16/12/2015 FIRST APPOINTED: 16/12/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	-		X	X	X	87.5	2

(*) On this point please see subsequent paragraph 4.6. of the Report.
(**) Appointment effective as of the effective date of the Merger.

KEY

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

YOOX
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GROUP

The tables below show attendance figures for the committee meetings held during the year.

Composition of the committees at the date of this Report

NAME	POSITION	E.C.	E.C. %	A.C.	A.C. %	R.C.	R.C. %	C.R.C.	C.R.C. %	R.P.T.C.	R.P.T.C. %
ALESSANDRO FOTI	DIRECTOR	-	-	C	-			C	100	M	100
LAURA ZONI	DIRECTOR	-	-	M	-						
RICHARD LEPEU	DIRECTOR	-	-	M	-						
ROBERT KUNZE-CONCEWITZ	DIRECTOR	-	-	-	-	C	100			M	100
CATHERINE GÉRARDIN VAUTRIN	DIRECTOR	-	-	-	-	M	80	M	60	C	100
RAFFAELLO NAPOLEONE	CHAIRMAN	-	-	-	-	M	50	M	60		

(*) The attendance of director Raffaello Napoleone at the meetings of the Compensation Committee solely refers to the meetings of the same committee held after his appointment as a member of the Appointment Committee, occurred on 29 June 2016.

KEY
E.C.: Executive Committee; C/M inserted to indicate Chairman/Member of Executive Committee.
E.C. %: shows the attendance, in percentage terms, of the director at Executive Committee meetings (the number of meetings that the director attended compared to the number of Executive Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).
A.C.: Appointments Committee; C/M inserted to indicate Chairman/Member of Appointments Committee.
A.C. %: shows the attendance, in percentage terms, of the director at Directors' Appointments Committee meetings (the number of meetings that the director attended compared to the number of Directors' Appointments Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).
R.C.: C/M inserted to indicate Chairman/Member of Compensation Committee.
R.C. %: shows the attendance, in percentage terms, of the director at Compensation Committee meetings (the number of meetings that the director attended compared to the number of Compensation Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).
C.C.R.: C/M inserted to indicate Chairman/Member of Control and Risks Committee.
%. C.C.R.: shows the attendance, in percentage terms, of the director at Control and Risks Committee meetings (the number of meetings that the director attended compared to the number of Control and Risks Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).
N/A: not applicable.
R.P.T.C.: Related-Party Transactions Committee: C/M inserted to indicate Chairman/Member of the Related-Party Transactions Committee.
R.P.T.C. %: shows the attendance, in percentage terms, of the director at Related-Party Transactions Committee meetings (the number of meetings that the director attended compared to the number of Related-Party Transaction Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).

The Company's Board of Directors met 8 (eight) times during the year, while the Compensation Committee, the Control and Risks Committee and the Related-Party Transactions Committee met 5 (five), 5 (five), 1 (one) times respectively. The Directors' Appointment Committee never met during the year.

Maximum number of positions held in other companies

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

During the meeting held on 23 February 2017, following an assessment of positions held by its directors in other companies, the Board concluded that currently the number and quality of positions held did not interfere and were therefore compatible with the effective execution of their roles as directors at the Issuer.

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

NAME AND SURNAME	COMPANY	MANAGEMENT AND CONTROL POSITIONS HELD
FEDERICO MARCHETTI	/	/
RAFFAELLO NAPOLEONE	/	/
STEFANO VALERIO	/	/
EVA CHEN	/	/
ALESSANDRO FOTI	INFRASTRUTTURE WIRELESS ITALIANE S.P.A.	DIRECTOR
	BURGO GROUP S.P.A.	DIRECTOR
CATHERINE GÉRARDIN VAUTRIN	DAVIDE CAMPARI-MILANO S.P.A.	DIRECTOR
ROBERT KUNZE-CONCEWITZ	DAVIDE CAMPARI-MILANO S.P.A.	DIRECTOR
	LUIGI LAVAZZA S.P.A.	DIRECTOR
RICHARD LEPEU	COMPAGNIE FINANCIÉRE RICHEMONT SA	DIRECTOR
VITTORIO RADICE	RINASCENTE S.R.L.	DIRECTOR
	MCARTHURGLEN EUROPE LTD	VICE-PRESIDENT
GARY SAAGE	COMPAGNIE FINANCIÉRE RICHEMONT SA	DIRECTOR
LAURA ZONI	/	/

Induction Programme

During 2016, the Chairman of the Board of Directors promoted initiatives to provide the Directors with adequate knowledge of the business sector in which the Company operates, the business dynamics and their evolution, as well as the regulatory and self-regulatory framework. In particular, with reference to the business sector in which the Company operates, on 29 June 2016 the underlying guidelines of the industrial plan for medium-long period from 2016 to 2020 were presented - and subsequently approved by the Board of Directors. Such meeting represented the occasion to analyze in detail the business, the reference market for the Group and the possible development of future management strategies. On the occasion of meetings of the Board of Directors held during 2016 aimed at illustrating certain Logistics and Technology investments, the Board focused on specific aspects related to logistics and the operational dynamics of the Group, being such investments a key factor in the process of integration related to the Merger.

As regards training activities relating to the regulatory framework, the entry into force of the Market Abuse Regulation represented an opportunity to provide the Board of Directors and the Statutory Auditor with an update on the applicable regulatory framework, in particular in relation to the regulation of public disclosure of inside information and internal dealing.

Finally, with reference to the analysis of the principles of risk management, the timely updates provided in the course of the Board meetings by the Chairman of the Risk and Control Committee, made it possible to share with the Directors and with the Statutory Auditors the findings of the activity carried out by the Control and Risks Committees and the interventions planned by the same.

For 2017, in addition to the above, several initiatives – which had been postponed due the intense integration process - aimed at providing more information to the Directors with reference to the business dynamics are scheduled.

4.3 ROLE OF THE BOARD OF DIRECTORS

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

Article 19 of the articles of association stipulates that the Board of Directors may delegate its own powers and functions. It may also appoint a Chief Executive Officer to which it may delegate, within the same limitations, the above powers and functions. Lastly, it may also assign specific duties to other directors. In addition, the Board of Directors may also establish one or more committees with a consulting, advisory or controlling role, in accordance with the applicable legislative and regulatory provisions. The Board of Directors has the power to appoint one or more chief executive officers.

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

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

Under Article 16 of the articles of association, Board meetings are called by the Chairman, or by the Chief Executive Officer (with notice of at least five days, and, in urgent cases, at least 24 hours) whenever it is considered necessary, or if it is requested in writing by at least a third of the directors or by the Board of Statutory Auditors, or, also individually, by each member of this Board in accordance with the applicable laws in force. The Board is convened at the registered office or elsewhere, in Italy, France, Switzerland or the United Kingdom.

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.

Meetings of the Board of Directors are chaired by the Chairman, or, if he/she is absent or unavailable (including physically absent from the place of the meeting), by the CEO. If both the Chairman and the CEO are absent or unavailable, the meeting is chaired by the only Vice Chairman, or the most senior Vice Chairman in terms of age, or the most senior director present in terms of age. If the Secretary is absent or unavailable, the Board of Directors designates a replacement.

Board meetings may also be held via teleconferencing or videoconferencing systems, provided that each of the participants can 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 in every location.

Pursuant to Article 17 of the articles of association, 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. Voting takes place by open vote.

Pursuant to Article 19 of the articles of association, 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 for the General Meeting pursuant to the laws in force and the articles of association.

Pursuant to Article 19 of the articles of association, 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* and 2506-*ter*, final paragraph, of the Civil Code;
- the establishment or closure of secondary offices;
- the relocation of the registered office within Italy;

- which directors serve as legal representatives;
- capital decreases following withdrawal;
- amendments to the articles of association to comply with regulatory provisions,

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

On 12 May 2016, the Board vested the Chief Executive Officer with the broadest powers for the ordinary administration of the Company - including, but not limited to, signature powers and powers of legal representation on behalf of the Company with respect to third parties and in legal matters - with the exception of decisions on the following matters, which are the specific remit of the Board of Directors and can therefore not be delegated:

- approval of the business plan and subsequent amendments or additions (and/or replacements with business plans subsequently approved by the Board);
- 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 EUR 10,000 thousand 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 and nature higher than EUR 2,000,000.00 (two million/00);
- purchase or sale of interests in other company structures or the purchase, sale or leasing of companies, company branches or purchase or disposal of real estate;
- hiring, dismissal or changes to the employment conditions of directors with gross annual compensation of more than EUR 1,000,000.00 (one million/00);
- 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 share-based incentive plan or scheme in favour of employees or the granting of options or shares based thereon;
- creation of any mortgage, pledge, charge or real guarantee on all or a substantial portion of the Company's real estate or registered movables;
- sale of all or a substantial part of shares representing the share capital of any Company subsidiary; and
- signing by the Company of any binding agreement that is included (or could be included) in any of the matters covered above.

During the year, 8 (eight) Board meetings were held on the following dates: 8 February, 9 March, 18 April, 12 May, 29 June, 4 August, 9 November and 24 November.

The minutes of the meetings were recorded.

On average, the Board meetings lasted about one and a half hour.

At least 6 (six) Board meetings are expected to take place in 2017. As well as those already held on 7 February, 23 February and 1 March 2017 (the latter relating to the approval of the draft separate financial statements and consolidated financial statements for the year ended 31 December 2016), the calendar of the main company events for 2017 (already announced to the market and Borsa Italiana S.p.A. in accordance with regulatory provisions) includes 3 (three) further meetings on the following dates:

- 3 May 2017: interim trading statement 31 March 2017;
- 2 August 2017: approval of the half-year financial statements at 30 June 2017;
- 8 November 2017: interim trading statement 30 September 2017.

Pursuant to Article 16, paragraph 3, of the articles of association, 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.

Since May 2015, pre-Board disclosure has been ensured also through a virtual platform on which the documentation is made available to members of the Board of Directors, the Board of Statutory Auditors and the Committees through a reserved access system, thus enabling information and documentation to be received simultaneously by all the members of the corporate bodies in full protection of the confidentiality of the shared information. The documentation is provided to the directors at least 3 days before the date scheduled meeting date. This deadline has always been complied with.
Pre-board documents remain available for consultation to all members of the Board of Directors also after the conclusion of Board meetings.

Board meetings may also be attended by managers of the Issuer and of the Group to which it now belongs to provide more in-depth information on agenda items. In the reference year, the Chief Financial and Corporate Officer and Director responsible for preparing the financial statements joined all the Board of Directors meeting. Certain Group's managers have been invited to join the board of Directors meeting held on 29 June 2016, 4 August 2016 and 24 November 2016 with the aim to provide the Board of Directors with an in-depth analysis as regards certain specific investments, the strategic guidelines underlying the five-year Plan 2016 – 2020 and to the joint venture agreement with Symphony Investments.

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Pursuant to Criterion 1.C.1 lett. c), at its meeting of 23 February 2017 the Board assessed the adequacy of the organisational, management and general accounting structure of the Issuer and the strategically important subsidiaries prepared by the CEO, with a specific focus on the internal control and risk management system. In conducting this assessment, the Board not only checked the existence and implementation of an internal control and risk management system at the Issuer and its subsidiaries, but also carried out its periodic detailed examination of the system's structure, its suitability, and its effective and actual functioning. After the Merger took effect, the Board of Directors took particular care to ensure the implementation of the internal control and risk management system in the companies entering the Group as a result of the Merger.

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 Risks Committee and the Chief Executive Officer, in order to check (i) if the structure of the internal control and risk management system in place within the Company is truly effective in pursuing objectives and (ii) if any weakness revealed requires the system to be improved.

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

- examines a report on significant company risks submitted by the Chief Executive Officer and evaluates how these have been identified, assessed and managed. It pays particular attention to changes that have occurred after the Merger to the nature and extent of risks and to assessing the Issuer's and subsidiaries' response to these changes;
- assesses the effectiveness of the internal control and risk management system in combating these risks, paying particular attention to any inefficiencies that have been noted;
- considers the measures that have been put in place or must be undertaken promptly to correct this inadequacy;

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

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During 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 significant strategic, economic, capital or financial importance for the Company itself, as established in the internal procedures adopted by the Issuer.

As provided by the Criterion 1.C.1. letter f) of the Code, the Issuer has adopted an internal procedure to settle reporting and procedural aspects related to operations that have specific economic, corporate and financial significance.

Pursuant to Criterion 1.C.1. letter g) of the Code, on 9 November 2016, the Board carried out the annual assessment on the basis of a questionnaire for the self-assessment - as regards the size, composition and functioning of the Board and the Committees, interaction with the Management, Corporate Governance and Risk Governance - with the possibility to express comments and proposals; such questionnaire has been filled up by all Directors and shared by the Board at the meeting of 23 February 2017. As concerns the outcome thereof please note that the Board of Directors considered the management body adequately suitable to carry out the functions entrusted thereto by the regulations in force, as well as its composition and functioning, also taking into account the presence, over a total of 11 (eleven) members, of 9 (nine) non-executive directors, including 7 (seven) independent non-executive directors, whose presence also ensures the ideal composition of the Committees within the Board.

The General 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 a Chief Executive Officer to whom it may delegate its powers and functions, within the limits of the law and the articles of association.

As of the date of this Report, Federico Marchetti holds the position of Chief Executive Officer.

On 12 May 2016, the Board of Directors confirmed the vesting of the current Chief Executive Officer, Federico Marchetti, with the broadest powers for the ordinary administration of the Company, including, but not limited to, powers of signature and legal representation on behalf of the Company 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 above.

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

Chairman and Vice Chairman of the Board of Directors

In accordance with the articles of association, the Chairman of the Board of Directors is vested with powers to chair the General Meeting, convene Board meetings and coordinate the work of the Board, as well as to serve as the Company's legal representative with respect to third parties and in legal matters.

Through a resolution of 30 April 2015, the Board of Directors appointed Director Raffaello Napoleone as Chairman of the Board of Directors. The Chairman of the Board of Directors did not received any managing nor is he in charge of a specific role in elaborating the Company's business strategies.

Pursuant to Article 15 of the articles of association, the Board of Directors can elect one or more Vice Chairmen who hold this position for the duration of their mandates as directors which expire on the date of the General Meeting called to approve the financial statements for the last year of their office as a director.

With resolution dated 30 April 2015, the Board of Directors appointed Director Stefano Valerio as Vice Chairman of the Board of Directors. On 29 June 2016, the Board of Directors entrusted the Vice Chairman with the responsibility to supervise and coordinate the legal activities of the Company and of the Group held thereby within the Company.

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 articles of association, delegated bodies must report promptly to the Board of Directors at least once every quarter, during Board meetings attended by at least one representative of the Board of Statutory Auditors, 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

As of 29 June 2016, the Vice Chairman Stefano Valerio has been entrusted with management functions within YNAP Group for the supervision and coordination of the legal activities of the Company and of the Group. Stefano Valerio is therefore now qualified as executive director.

4.6 INDEPENDENT DIRECTORS

Pursuant to article 14-*ter*, paragraphs 4 and 148 of the TUF and to Article 3 of the Code, the Board of Directors currently comprises 7 (seven) independent directors who are Raffaello Napoleone, who acts as chairmen of the Board of Directors, Cathérine Gérardin Vautrin, Laura Zoni, Eva Chen, Alessandro Foti, Robert Kunze-Concewitz and Vittorio Radice, 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 over the Issuer;

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

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

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

(vi) do not receive, and have not received in the last three years, from the Issuer, a subsidiary or parent, 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 years in the last 12 years, except for the independent director Raffaello Napoleone;

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

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

(x) have no family ties to a person in one of the situations set out above and in any case are not spouses or close relatives up to the fourth degree of the directors of the Issuer, nor directors, spouses or close relatives with the fourth grade of its subsidiaries, its parent companies and its joint ventures with the Issuers.

The Board assesses whether the requirements above are met and will 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 meeting of the independence requirements set out in Article 3 of the Code and Article 147-*ter*, paragraph 4, of the TUF for independent directors have been verified by the Board at the very first occasion after their appointment, with contextual disclosure to the market, and, afterwards, at meeting held on 9 November 2016.

With specific reference to Raffaello Napoleone, the Board of Directors – on 30 April 2015 and then again on 9 November 2016 - determined to disregard criterion 3.C.1 item e) of the Code including, among the non-binding hypothesis leading to qualify a director as non-independent, the circumstance that the same was a director for nine years in the last twelve years. The Company, considered that the criteria set out in the Code are nor exhaustive or binding, and thus privileged an evaluation in terms of substance when assessing the composition of the management body and of its members in line with the provisions of the Code. As a result, it focused - in the Company's interest – the high professional profile of Mr. Napoleone who has proven precious over time for the Issuer proving more than adequate to bring his contribution to the activity of the management body as independent figure. The Company's Board of Directors – with the consent of the Board of Statutory Auditors – decided to disregard said criterion, for the following reasons: (i) the nine years would have expired during the three-year period, but were not yet expired as at the appointment date, (ii) the nine years of office have been suspended between 2009 and 2010, when Director Napoleone first resigned and was then reappointed by co-optation.

At this meeting, the independent directors were obliged to maintain their independence during the duration of the mandate and, in any event, to promptly inform the Board of Directors regarding any situations that could compromise their independence. Also note that, pursuant to Article 12, paragraph 2 of the articles of association "*independent directors pursuant to Article 147-ter, indicated as such at the time of their appointment, must immediately notify the Board of Directors of any change to the requirements of independence; a director forfeits their office if within the Board the minimum number of directors in possession of the requirements of independence required by the laws in force cease to exist*".

Please note that Independent director Raffaello Napoleone currently owns 14,555 YNAP ordinary shares and that Independent advisor Robert Kunze –Concewitz owns 7,000 YNAP ordinary shares.

At the Board meeting of 9 November 2016, with reference to independent directors Catherine Gérardin Vautrin, Laura Zoni, Eva Chen, Alessandro Foti, Robert Kunze-Concewitz, Vittorio Radice and Raffaello Napoleone, the Board of Statutory Auditors, pursuant to Criterion 3.C.5 of the Code, stated that the verification criteria and procedures adopted by the Board of Directors to assess independence requirements at their respect appointment were applied correctly.

Independent directors met 11 times (11) during the year at the meetings of the Control and Risks Committee, Compensation Committee and Related-Party Committee. Matters discussed were mainly those addressed by the quoted Committees, as well as subjects connected to the Company's management organisation. In this respect please note that as at the date of this Report all committees within the Board of Directors are comprised of non-executive Directors, the majority of whom is independent.

In accordance with Criterion 3.C.6 of the Code, to which the Board of Directors has adhered – as regards to the most recent amendment of July 2015 - at the meeting of 9 November 2016, it is stated that Independent Directors shall meet in *ad hoc* meetings, separated and different from the meetings of the Committees in which Independent Directors are members. For this purpose, the Lead independent director Robert Kunze-Concewitz has planned a number of future meetings of independent directors.

4.7 LEAD INDEPENDENT DIRECTOR

Although the current composition of the Board of Directors does not reflect the facts taken into account by criterion 2.C.3 of the Code, the Board nevertheless thought it appropriate to appoint a Lead Independent Director on 30 April 2015, namely director Robert Kunze-Concewitz. Mr Kunze-Concewitz serves as a point of reference and coordination for the non-executive directors, and particularly the independent directors, partly to help maintain continuity in the corporate governance structure maintained by the Issuer since the listing as well as in view of the present of a large number of independent directors.

The Lead Independent Director is an independent director with appropriate financial and accounting expertise. He is Chairman of the Compensation Committee and a member of the Related-Party Transactions Committee.

5. HANDLING OF COMPANY INFORMATION

The Board of Directors meeting held on 3 September 2009 resolved to adopt a "Procedure for publishing privileged information", subsequently amended on 16 December 2015 in order to include certain amendments to the legal and regulatory framework, which in the meanwhile entered into force, and to take into account the new dimension of the Group resulting from the Merger.

On 3 July 2016, in compliance with the provisions of Article 17 of MAR and of its relevant implementing rules of the European Commission, the Company adopted the "Procedure for publishing privileged information" - approved by the Board of Directors of YOOX NET-A-PORTER GROUP at the subsequent meeting of 4 August 2016 in substitution of the previous procedure – which governs the provisions and the procedures relating to internal management and external communication of privileged information as defined by article 7 of the MAR (the "**Privileged Information**") and confidential information (as defined in the Procedure) concerning the Issuer and its subsidiaries.

In particular, public disclosure of Inside Information shall occur through the issuance of a press release prepared by the Investor Relations Function, with the support of the Corporate Affairs Function; prior to its external disclosure, the text of the press release shall be submitted for final approval to the Chief Executive Officer or the Chairman of the Board of Directors (or the Vice Chairman if the Chief Executive Officer and the Chairman of the Board of Directors are absent or unable to attend) and, if deemed appropriate or necessary, to the Board of Directors, subject to the prior attestation by the Corporate Accounting Documents Officer (the "Designated Officer") when the text contains accounting information, pursuant to and for the effects of article 154-bis of Legislative Decree no. 58/1998.

The Procedure is aimed at assuring compliance with the provisions of law and regulations in force on the matter and guarantee utmost confidentiality and non-disclosure of Privileged Information, also for the purpose of guaranteeing enhanced transparency to the market and adequate preventive measures against market abuse and, in particular, against Insider Dealing.

Directors, Statutory Auditors, General Directors (where appointed), Managers, Employees of the Company and/or Group companies, as well as "external" persons entered in the Register of Persons having access to Privileged Information (the "**Insider List**") who for whatever reason have an analogous access to Privileged Information (and/or Confidential Information) concerning the Issuer and the relating Group (together, the "**Addressees**") are bound to comply with the Procedure, with different levels of liability and fulfilments.

The procedure is available on the Company website at www.ynap.com (under Governance/Documents, Principles and Procedures/Procedures).

PROCEDURE FOR THE MANAGEMENT OF THE REGISTER OF INDIVIDUALS WITH ACCESS TO PRIVILEGED INFORMATION

With particular reference to the obligation for listed issuers, for their subsidiaries and for individuals acting in their name or on their behalf, to draw up, manage and update the register of insiders pursuant to Article 115-*bis* of the Legislative Decree 58/1998 and to Articles 152-*bis et sub*. of the Issuers' Regulation, the Board of Directors of the Issuer resolved to adopt a "Procedure for the management of the Group register of persons with access to privileged information", subsequently amended on 16 December 2015 in order to include certain amendments to the legal and regulatory framework, which in the meanwhile entered into force, and to take into account the new dimension of the Group resulting from the Merger.

On 3 July 2016, in compliance with the provisions of Article 18 MAR and of its relevant implementing rules of the European Commission, which provide for the obligation for issuers and for individuals acting in their name or on their behalf, to draw up, manage and update the register of insiders, the Company adopted a "Procedure for the management of the register of persons with access to privileged information" (the "Register Procedure") – approved by the Board of Directors of YOOX NET-A-PORTER GROUP on the subsequent meeting of 4 August 2016. The Register Procedure, which substitute the previous into force, is available on the Company website at www.ynap.com (under Governance/Documents, Principles and Procedures/Procedures).

INTERNAL DEALING PROCEDURE

As regards the management of the informative obligations provided for by the Internal Dealing regulation pursuant to Article 114, paragraph 7 of the Legislative Decree 58/1998 and to Articles 152-sexies, 152-septies and 152-octies of the Issuers' Regulation, on 3 September 2009 the Board of Directors resolved to adopt the "Procedure for fulfilling obligations in the matter of Internal Dealing (the "Internal Dealing Procedure"), aimed at ensuring the maximum transparency and uniformity of information to the market, subsequently amended on 16 December 2015 in order to include certain amendments to the legal and regulatory framework, which in the meanwhile entered into force, and to take into account the new dimension of the Group resulting from the Merger.

In implementation of the regime set out in article 19 MAR and of its relevant implementing rules of the European Commission, on 3 July 2016 the Company governing disclosure obligations concerning transactions on financial instruments entered into by Relevant Persons, identified by the same Procedure, for the purpose of guaranteeing enhanced transparency to the market and adequate preventive measures against market abuse and, specifically, against internal dealing. Such Internal Dealing Procedure replaces the previous one.

The Procedure, subsequently approved on 4 August 2016 by the Company's Board of Directors, is available on the Company website at www.ynap.com (under Governance/Documents, Principles and Procedures/Procedures).

The details of the transactions carried out during the course of the year, which require notification pursuant to the Internal Dealing Procedure, are available on the Company website at www.ynap.com (under Governance/Documents, Principles and Procedures/Internal Dealing).

6. BOARD COMMITTEES

The Board has formed the Directors' Appointments Committee, the Compensation Committee and the Control and Risks Committee from among its members.

Also by virtue of the vesting of the Vice Chairman with a number of management powers, on 29 June 2016 the composition of the Compensation Committee and the Directors' Appointment Committee has changed in accordance with the recommendations set forth under principle 6.P.3. of the Code. In particular, Chairman Raffaello Napoleone became a member of the Compensation Committee – replacing the Director Stefano Valerio, while the Directors' Appointment Committee switched to a three-member composition, the majority of whom are now independent.

The Board of Directors at the meeting of 9 November 2016, pursuant to Criterion 4.C.1., lett. c) of the Code, resolved to grant the Control and Risks Committee with the supervision functions on sustainability issues related to the relevant business and to its interactions with all the stakeholders.

Saved for the above, no committee performing the functions of two or more committees provided in the Code were formed.

We set out below the composition of the board committees at the date of this Report, as well as that of committees prior to the resolutions of the Board of Directors of 29 June 2016.

Composition of Board committees at the date of this Report

COMMITTEE	NAME	POSITION	INDEP. CODE	INDEP. TUF
DIRECTORS' APPOINTMENTS COMMITTEE	ALESSANDRO FOTI	COMMITTEE CHAIRMAN	X	X
	RICHARD LEPEU	COMMITTEE MEMBER		
	LAURA ZONI	COMMITTEE MEMBER	X	X
COMPENSATION COMMITTEE	ROBERT KUNZE-CONCEWITZ	COMMITTEE CHAIRMAN	X	X
	CATHERINE GÉRARDIN VAUTRIN	COMMITTEE MEMBER	X	X
	RAFFAELLO NAPOLEONE	COMMITTEE MEMBER	X (*)	X
CONTROL AND RISKS COMMITTEE	ALESSANDRO FOTI	COMMITTEE CHAIRMAN	X	X
	CATHERINE GÉRARDIN VAUTRIN	COMMITTEE MEMBER	X	X
	RAFFAELLO NAPOLEONE	COMMITTEE MEMBER	X (*)	X

(*) On this point see the previous paragraph 4.6 of the Report.

Composition of the committees in office until 29 June 2016

COMMITTEE	NAME	POSITION	INDEP. CODE	INDEP. TUF
DIRECTORS' APPOINTMENTS COMMITTEE	ALESSANDRO FOTI	COMMITTEE CHAIRMAN	X	X
	RICHARD LEPEU	COMMITTEE MEMBER		
	STEFANO VALERIO	COMMITTEE MEMBER		
	LAURA ZONI	COMMITTEE MEMBER	X	X
COMPENSATION COMMITTEE	ROBERT KUNZE-CONCEWITZ	COMMITTEE CHAIRMAN	X	X
	CATHERINE GÉRARDIN VAUTRIN	COMMITTEE MEMBER	X	X
	STEFANO VALERIO	COMMITTEE MEMBER	X	X
CONTROL AND RISKS COMMITTEE	ALESSANDRO FOTI	COMMITTEE CHAIRMAN	X	X
	CATHERINE GÉRARDIN VAUTRIN	COMMITTEE MEMBER	X	X
	RAFFAELLO NAPOLEONE	COMMITTEE MEMBER	X(*)	X

(*) On this point see the previous paragraph 4.6 of the Report.

7. DIRECTORS' APPOINTMENTS COMMITTEE

The Directors' Appointments Committee was originally set up on 7 October 2009, implementing a Board resolution dated 3 September 2009, subject to the start of trading in the ordinary shares on the MTA.

As at the date of this Report, the Directors Appointment Committee comprises 3 (three) non-executive directors, as indicated below, on the understanding that the Directors Appointment Committee was established by the decision of the Board dated 30 April 2015 and that Richard Lepeu was appointed on 11 November 2015 as provided by the Shareholders' Agreement (see the previous paragraph 2, letter g) of the Report) and that its composition has subsequently changed on 29 June 2016 after the exit of Director Stefano Valerio:

- Alessandro Foti – Independent Director – Chairman;
- Richard Lepeu – Non-Executive Director;
- Laura Zoni – Independent Director.

For details on the composition of the Directors' Appointments Committee before 29 June 2016, see the summary in section 6 above.

Accordingly, being the members of the Directors' Appointments Committee all non-executive directors, the majority of whom is independent, the composition of the Committee currently in line with the indications of principle 5.P.1 of the Code.

The functioning and tasks of the Directors' Appointments Committee are also governed by a regulation approved by the Board of Directors which, in accordance with the provisions of the Code, expressly provides for the works of the committee to be coordinated by a Chairman and for minutes of meetings to be recorded.

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 entrusted with the following functions:

- expressing opinions to the Board of Directors as regards the size and composition thereof and expressing recommendations as regards the professional figures the presence of whom within the Board is deemed appropriate;
- expressing opinions as regards the maximum number of maximum number of offices as director or statutory auditor in other companies listed on regulated markets (including foreign markets) in financial companies, banks, insurance companies or companies of a considerably large size, which may be considered compatible with an effective performance of a director's duties, also taking into account the attendance by the directors to the committees set up within the Board;
- expressing opinions to support the Board of Directors in assessing specific and critical circumstances where a general and preventive derogation from the rule prohibiting competition under article 2390 of the Italian Civil Code;
- to submit the Board of Directors candidates for directors offices in case of co-optation, should the replacement of independent directors be necessary.
- proposing candidates to the Board of Directors for the role of director in case a list of the same Board is submitted.

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During the reference year, the Directors' Appointment Committee never met.

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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 specific financial resources were allocated to the Directors' Appointments Committee since, in performing its duties, it makes use of the resources and company structures of the Issuer.

8. COMPENSATION COMMITTEE

The Compensation Committee was originally set up on 7 October 2009, implementing a Board resolution of 3 September 2009 and subject to the Start of Trading of ordinary shares on the MTA.

At the date of this Report, the Compensation Committee comprises 3 (three) non-executive directors, all of whom are independent, as mentioned below, on the understanding that the Compensation Committee was set up pursuant to the decision taken by the Board on 30 April 2015 and that its composition has subsequently changed on 29 June 2016 due to the joining of independent director Raffaello Napoleone in replacement of Director Stefano Valerio:

- Robert Kunze-Concewitz – Independent Director – acting as Chairman;
- Catherine Gérardin Vautrin – Independent Director;
- Raffaello Napoleone – Independent Director;

For the composition of the Compensation Committee before 29 June 2016, see paragraph 6 of this Report.

Accordingly, being all the members of the Compensation Committee independent, the composition of such Committee is in line with the indications of Principle 6.P.3. of the Code.

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

The functioning and tasks of the Compensation Committee are also governed by a regulation approved by the Board of Directors which, in accordance with the provisions of the Code, expressly provides for the works of the committee to be coordinated by a Chairman and for minutes of meetings to be recorded.

The Chairman of the Committee did actually informed the Board of Directors on the Compensation Committee meetings during the Board's meetings held on 9 March, 12 May, 29 June and 4 August 2016. No director takes part in Compensation Committee meetings in which Board proposals are put forward relating to their own remuneration.

FUNCTIONS ATTRIBUTED TO THE COMPENSATION COMMITTEE

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

The creation of this committee ensures the wide disclosure of information and transparency regarding 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 Compensation Committee only holds a consulting role, while the power to determine directors' remuneration with specific duties remains vested in the Board of Directors, having heard the opinion of the Board of Statutory Auditors.

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

- it proposes the adoption of the remuneration policy for directors and managers with strategic responsibilities;
- it periodically evaluates the adequacy, overall consistency and practical application of the remuneration policy for directors and managers with strategic responsibilities, making use, for the latter, of the information supplied by the Chief Executive Officer; it formulates proposals on the subject and submits them to the Board of Directors;
- 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 the setting of performance targets related to the variable component of

this remuneration; it monitors the application of the decisions taken by the Board, verifying, in particular, that the performance targets have been met.

The Compensation 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 reference year, the Compensation Committee met 5 (five) times on the following dates: 29 February, 12 May, 23 June, 4 August and 6 December 2016.

The minutes of the meetings of the Compensation Committee were duly recorded and the meetings lasted on average 30 minutes. When invited by the Chairman, members external to the committee, such as the Company's Chief Financial and Corporate Officer, the Group Head of Human Resources and the Corporate Affairs Manager, also attend Compensation Committee meetings. The Chairman of the Committee informs thereon at the first useful Board of Directors.

The Chairman of the Statutory Auditors participated in the work of the Compensation Committee.

During the year, the Compensation Committee mainly gave its opinion on the following matters: (a) granting of options pursuant to the 2015-2025 stock option plan and definition of the reference targets; (b) changes to the Company's remuneration policy (originally adopted on 7 March 2012 and subsequently amended on 5 March 2013, 25 March 2015, 30 July 2015, 9 march 2016 and 1 March 2017; (c) proposal concerning the definition of the short-term targets for allocation of variable annual compensation for the CEO and the strategic managers; (d) proposal concerning the definition of the medium-long term targets for allocation of variable annual compensation for the CEO, as well as (e) assessments concerning incentive plans.

During 2017, at least 2 meetings of the Compensation Committee, including the one on 1 March 2017 are planned.

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In performing its functions, the Compensation 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 specific financial resources were allocated to the Compensation Committee since, in performing its duties, it makes use of the resources and company structures of the Issuer.

For further information on the functioning and activities of the Compensation Committee reference is made to the Remuneration Report lodged with the company's registered office and available on the Company's website at www.ynap.com (Governance Section).

9. DIRECTORS' REMUNERATION

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

On 30 April 2015, the Ordinary General Meeting set the overall annual compensation to be paid to the Board of Directors for the term of office at EUR 680 thousand, in addition to the reimbursement of expenses incurred by its members in performing the office, reservation made in any case of compensation for directors vested with special offices pursuant to Article 2389, paragraph 3, of the Civil Code, which is to be understood as not included in the above amount, and any special compensation for special offices. The total remuneration to the Board of Directors will remain unchanged until the General Meeting resolves otherwise. On 30 April 2015, the Board divided the total annual remuneration between its members.

For information on the Remuneration Policy adopted by the Issuer and compensation received by members of the Board of Directors during the year, please see the remuneration report prepared pursuant to Article 123-*ter* of the TUF and Article 84-

quater of the Issuers' Regulation available within the legal deadlines in the Governance section of the Company website at www.ynap.com (Governance section).

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Incentive schemes are planned for executive officers and directors with strategic responsibilities. For more information on stock option plans in force on 31 December 2016, please refer to the information documents drafted as per Article 84-*bis* of the Issuer's regulations filed at the company's head office and available on the company's website at www.ynap.com (Governance section) and the report on compensation as per Article 84-q*uater* of the Issuer's regulations available as stipulated by lax on the company's website at www.ynap.com (Governance section).

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INCENTIVE SCHEMES FOR THE INTERNAL AUDIT MANAGER AND THE DIRECTOR RESPONSIBLE FOR PREPARING THE FINANCIAL STATEMENTS

The incentive schemes for the Internal Audit Manager and the Director responsible for preparing the financial statements are consistent with the tasks assigned to them.

10. CONTROL AND RISKS COMMITTEE

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

The Control and Risks Committee was originally set up on 7 October 2009, implementing a Board resolution of 3 September 2009 and subject to the Start of Trading of ordinary shares on the MTA.

The current Control and Risks Committee was established by a Board resolution of 30 April 2015 and comprises 3 (three) non-executive directors, all of whom are independent, namely:

- Alessandro Foti – Independent Director – Chairman;
- Catherine Gérardin Vautrin – Independent Director;
- Raffaello Napoleone – Independent Director.

Accordingly, being all the members of the Control and Risks Committee all Independent Directors, the composition of said Committee is in line with the indications of Principle 7.P.4. of the Code.

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

The functioning and tasks of the Control and Risks Committee are also governed by a regulation approved by the Board of Directors which, in accordance with the provisions of the Code, expressly provides for the works of the committee to be coordinated by a Chairman and for minutes of meetings to be recorded. The Chairman of the Committee did actually informed the Board of Directors on the Control and Risks Committee meetings during the Board's meetings held on 8 February, 9 March, 12 May, 4 August and 9 November 2016.

FUNCTIONS ATTRIBUTED TO THE CONTROL AND RISKS COMMITTEE

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

- evaluates, together with the Director responsible for preparing the financial statements and on the advice of the Independent Auditor and the Board of Statutory Auditors, the correct use of the accounting standards adopted and, in the case of groups, their consistency for the purposes of preparing the consolidated financial statements;
- expresses opinions on specific aspects pertaining to the identification of the main corporate risks;
- examines the periodic reports on the evaluation of the internal control and risk management system and those of particular importance prepared by the Internal Audit department;
- monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Audit department;
- 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;
- 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 internal control and risk management system;
- supports with an adequate investigation activity the assessments and decisions of the Board of Directors concerning the management of risks deriving from prejudicial events that came into the knowledge of the same Board of Directors.

At the meeting of 9 November 2016, the Board of Directors, pursuant to Criterion 4.C.1., of the Code resolved to entrust to the Control and Risks Committee the supervision functions of sustainability issues related to the relevant business and to its interactions with all the stakeholders.

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

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During the reference year, the Control and Risks Committee met 5 (five) times on the following dates: 8 February, 29 February, 6 May, 25 July, and 27 October 2016, addressing the following points:

- review of the competence, autonomy and organisational adequacy of the Group's internal audit structure and positive assessment of the adoption of the "YOOX Group Internal Audit Department Mandate" for subsequent approval by the Board;
- approval of the Audit Plan prepared for the year by the Internal Audit Manager;
- examining and evaluating the completeness and adequacy of the plan of activities of the Group Internal Audit department for the year and the methods used in its definition, with a particular focus on the new Group structure after the Merger;
- examining the periodic reports prepared by the Internal Audit department for the 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;
- reviewing the results of activities carried out by the Director responsible for preparing the financial statements, performed with the support of the Internal Audit department, monitoring the adequacy and full operation of the internal control system under the scope of administration-accounting for compliance pursuant to Law 262/05, in relation to the annual report as at 31 December 2015 and the half-year report as at 30 June 2016;

- evaluating, together with the Director responsible for preparing the financial statements and on the advice of the Independent Auditor and the Board of Statutory Auditors, the correct use of the accounting principles and their consistency for the purpose of preparing the consolidated financial statements, as well as the process for producing the draft budget as at 31 December 2015 and the half-year financial report as at 30 June 2016;

- reviewing the results of the activities of YOOX's Supervisory Body with the support of the Internal Audit department in relation to checks on the adequacy of the Organisational Model, pursuant to Legislative Decree 231/01, and monitoring the correct and full operation of the internal control system overseeing the offence risks to which the Decree refers;

- appointing the Internal Audit Manager;

- approving changes to the Related-Party Procedure;

- approving the guidelines for impairment activities and approving the outcomes of the impairment test; and

- purchase price allocation activities.

At its meetings of 9 March 2016 and 4 August 2016, the Chairman of the Control and Risks Committee reported to the Board of Directors on the activities carried out and the adequacy of the internal control and risk management system.

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

The minutes of meetings of the Control and Risks Committee were duly recorded and the meetings lasted approximately an average of two hours and 10 minutes. The Chairman of the Committee informs thereof at the first useful Board of Directors.

At least 5 (five) meetings of the Control and Risks Committee are expected to take place in 2017. As well as the meeting of 3 February and 23 February 2017 – [where, amongst other things, the impairment test process and the adequacy of the internal control and risk management system were discussed] - another 3 (three) meetings are scheduled for the following dates: 21 April, 26 July and 26 October 2017.

At the meeting of 3 February 2017, the Committee also approved the audit plan for 2017, while at the meeting of 23 February it took note of the activities carried out by the Internal Audit Manager relating to the audit plan for the year and the activities carried out by the Director responsible for preparing the financial statements of the Issuer for compliance pursuant to Law 262/05 and the by the Supervisory Body for compliance pursuant to Legislative Decree 231/01.

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

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

11. THE 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 present objectives. An effective internal control and risk management system helps to ensure the protection of corporate capital, the efficiency and effectiveness of company operations, the reliability of information provided to corporate bodies and the market, and compliance with laws and regulations.

The Board of Directors guides and assesses 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 and 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 consulted the Board of Statutory Auditors and the Director in Charge;

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

e) evaluates, having consulted the Board of Statutory Auditors, the results presented by the Independent Auditor in any management letter and in the report on the fundamental questions arising during the statutory audit.

In performing these duties, the Board works with the Director in Charge with the duties listed below, and a Control and Risks Committee.

The Director in charge has been identified as the Chief Executive Officer, Federico Marchetti. For information on the Director in charge please see section 11.1.

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

- Group Strategic Risk Management Policy and Model, with reference to the definition of guidelines for the internal control and risk management system, guaranteeing the traceability of the strategic decision-making process and the taking of conscious business risks, based on acceptable risk;

- Model pursuant to Law 262/05 with reference to the attributions related to the person of the Director responsible for preparing the financial statements and activities relating to the organisation, formalisation and verification of adequacy and effective operation of administrative-accounting procedures and procedures for the preparation of financial reports;

- Organisation and Management Model with reference to the prevention of offences pursuant to Legislative Decree 231/01, the appointment and the attributions of the Supervisory Body pertaining to the Issuer;

- Occupational Health and Safety Management System compliant with British Standard OHSAS 18001:2007 certified by a third party, in order to fulfil the requirements defined by health and safety standards in the workplace, with special reference to Legislative Decree 81/08;

- Environmental Management System that complies with standard UNI EN ISO 14001:2004 and is integrated with the Occupational Health and Safety Management System, certified by authorised third parties, in compliance with environmental regulatory requirements;
- Group Planning and Control Model, with the aim of directing and guaranteeing the alignment of management with the economic and financial objectives defined by senior company managers;

- Information security management system based on International Standard ISO/IEC 27001 for managing risks relating to the confidentiality, integrity and availability of corporate information (including the management of risks pursuant to Legislative Decree 196/2003), with the supervision of an Compliance, Ethics and 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 NET-A-PORTER GROUP community at all levels in carrying out business activities, and which prescribes behaviour in line with these values;
- objectives, responsibilities and roles defined and formalised under the scope of the organisation of the Group;
- powers and proxies consistent with the organisational responsibilities assigned;
- a business model on the major regulatory issues, that the Group and the businesses are aware of;
- a body of company procedures to govern the main corporate processes, or the most risky processes in terms of compliance with legal provisions.
- Group "Anti-Corruption Compliance Programme", which identifies relevant rules on corruption for the foreign companies and sets expected standards of conduct and control, as well as defining responsibility for implementing checks to ensure compliance and for dedicated training activities.

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

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

The Board of Directors, as part of the definition of strategic, industrial and financial plans, defined the risk nature and level compatible with the Issuer's strategic objectives, including in its assessments all risks that may be relevant with a view of medium-long period sustainability of the Issuers' activity. Said matters have always been, in fact, subject to specific focus by the Company, which in the last years enhanced a Sustainability road based on the consideration that conducting its business in full respect of environmental and social values is one of the basis for the creation of value for the company in the long term, to the benefit of the plurality of stakeholders. Furthermore, by virtue of the combined provisions of the novelties introduced by the code in this respect and the implementation of Directive 95/2014, as implemented by Legislative Decree 254/2916, on the Disclosure of non-financial information and corporate social responsibility, according to which starting from 2018 public interest entities – among which also listed companies – will be obliged to report a number of transactions of non-financial nature relating to its sustainability initiatives in environmental, social, gender policies and diversity, respect of human rights and fight against corruption matters. Matters linked to sustainability will accordingly become a key topic both in the ordinary management of the Group, and in the activities of the Board of Directors and its Committees.

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MAIN FEATURES OF THE EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN RELATION TO THE FINANCIAL INFORMATION PROCESS

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

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

- the design of a workflow model, procedures and risk control matrices for each company process for each Company within the scope of consolidation;
- a system of internal certification to the Director responsible for preparing the financial statements on the completeness, accuracy and reliability of the information provided to the management functions for the preparation of financial reports, as well as on the effectiveness of the control procedures with accounting significance established within each structure;

- monitoring of the Model – testing of the adequacy and effectiveness of key controls and procedures defined, in relation to the preparation of the annual and half-year financial reports, based on an analysis of the materiality of the accounting entries;

- identification of the corrective actions, follow-ups and reporting – definition and sharing of the corrective actions with Management, verification of their effective implementation, preparation of reports for the Director responsible for preparing the financial statements and for the supervisory and control bodies;

- updating of the Model and related documents, based on corporate, organisational and process changes which have taken place.

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

With regard to the identification and assessment of financial disclosure risks, the Issuer carries out its own analyses and auditing activities on the Parent Company, YOOX NET-A-PORTER GROUP S.p.A., and on the subsidiaries with revenue levels and assets above a predefined materiality threshold, and on the management of inter-company relations. Rotating analyses and audits are also carried out on other subsidiaries on the basis of qualitative considerations, regardless of their quantitative contribution to the formation of the consolidated financial statements.

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

With regard to the identification and evaluation of controls in the light of risks identified, Model 262 takes into consideration both preventive controls and detective and second-level controls on processes supplying accounting entries and estimates. The evaluations made of the adequacy and effectiveness of controls for mitigating risks are qualitative, based on the outcome of tests carried out during the course of Model monitoring activities.

The monitoring activities are concentrated on operating processes related to material accounting entries, for the identification of which a preliminary scope analysis is carried out annually. Ad hoc checks are also carried out on activities related to the accounting closing and consolidation entries, which the Company documents, allocates in terms of responsibility for performing and authorises through a dedicated IT program, ensuring that they are complete and accurate.

Having established Model 262 in its fundamental design elements in 2009, the Director responsible for preparing the financial statements gives an annual mandate to the Internal Audit department to carry out periodic monitoring as well as support to the activities of 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 responsible for preparing the financial statements and the Internal Audit department takes place at least twice a year. In particular, after important organizational changes as a result of the merger and the integration of the processes and the Group's administrative and accounting systems, the aforementioned Model is constantly being updated with particular reference to the former Net-A-Porter Group Companies. This update is being implemented in the context of the Integrated Compliance project, for details on which reference is made to paragraph 11.5 of this Report.

The Director responsible for preparing the financial statements and the Internal Audit Manager report periodically to the Control and Risks Committee, to the Board of Statutory Auditors, to the Director in Charge and to the Supervisory Body on the management of Model 262, expressing their opinion on the adequacy of the administrative-accounting control system and the corrective actions to be implemented.

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Having consulted the Board of Statutory Auditors and the Director in Charge, the Board of Directors approved the work plan prepared by the Internal Audit Manager for 2016 and for 2017 on 8 February 2016 and on 23 February 2016 respectively.

On 23 February 2017, pursuant to Criterion 7.C.1, let. b) of the Code, the Board of Directors expressed a favourable opinion 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, the Control and Risks Committee, the Internal Audit Manager and the Board of Statutory Auditors.

In the course of the reference year the Company contacted a primary consulting company for the preparation of an internal procedure, which is about to be activated, for the reporting of any irregularity or breach by employees (so called whistleblowing), that ensures a specific and confidential communication channel as well as the anonymity of the reporting person. The management of the specific so-called *hotline* service has been entrusted to a highly-specialized company in the sector. The procedure, which had been illustrated Control and Risks Committee during previous meeting, was approved by the Board of Directors on 23 February 2017 and the Security, Risk and Compliance Department is in charge of implementing such procedure.

11.1 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On 30 April 2015, the Board appointed Chief Executive Officer, Federico Marchetti, as the Director in charge of the internal control and risk management system.

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In connection with and for the implementation of the guidelines established by the Board, the Director is responsible for:

(i) identifying 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 9 March 2016 and 4 August 2016;

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

(iii) requesting 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 Risks Committee and the Board of Statutory Auditors for subsequent approval by the Board of Directors;

(iv) did not, directly or through audits conducted by the Internal Audit department and by other governance functions within the YOOX NET-A-PORTER 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 Risks Committee and the Board of Statutory Auditors, on the recommendation of the Director in Charge, by a resolution of 9 March 2016, appointed Matteo James Moroni as Person in Charge of the Internal Audit Function of the Group and internal member of the Supervisory Body, entrusting him with the responsibility of verifying that the internal control and risk management system was adequate and functioning.

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

As well as his/her auditing activities, the Internal Audit Manager also assists the Director responsible for preparing the financial statements and the Supervisory Body to comply with Law 262/05 and Legislative Decree 231/01. He/she also acts as an internal consultant to support the corporate operational areas and oversees corporate social responsibility reporting. The assigning of these activities to the Internal Audit Manager received a positive evaluation from the Board in terms of opportunities, and there are no conflicts of interest or limitations to the application of the Code of Conduct.

The Board of Directors, upon proposal of the Director in Charge and previuos favourable opinion of the Control and Risks Committee and having heard the Board of Statutory Auditors determined the amount of the remuneration of the as Person in Charge of the Internal Audit Function in line with the Group policies.

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

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The Person in Charge of the Internal Audit Function of YNAP Group:

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 a process of analysing and prioritising company risks;

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

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

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

e) attends the meetings of the Board of Directors and the Control and Risks Committee to which he/she is invited and, with regard to the year, attended the Board meetings of 8 February 2016, 9 March 2016, 12 May 2016, and 4 August 2016 as well as all the meetings of the Control and Risks Committee;

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

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

As regards to IT governance of the YOOX NET-A-PORTER Group, in order to build up an integrated compliance model that enables the Group to obtain a comprehensive view of risks and a better integration, coordination and effectiveness of the management and control activities, with the approval of the Control and Risk Committee of 27 October 2016, the Information Risk Committee has been replaced by the Compliance, Ethics and Risk Committee. Such Committee is responsible for overseeing the management of the Group's risks, to evaluate and approve the possible adoption of improvement actions, to evaluate the adequacy of oversight processes of the Group's risks and develop appropriate preventive action.

Within the Compliance Ethics and Risk Committee, the Head of the Internal Audit is a permanent member, with the aim to let him be constantly updated in relation to the risks of reliability of information systems and to take active part in the group leading the application of the Security Management System of the Group information.

The risk assessment and monitoring of controls in place for their mitigation is headed by the Information Security function, which reports the results of its activities to the Group Risk Manager, responsible for reporting to the Compliance, Ethics and Risk Committee on the overall risk status Group.

The activities of the Internal Audit Function, in accordance with the audit plan for the reference year, concerned audits of operational assurance and regulatory consulting activities on operational processes to support business operational areas and compliance, the corporate process coordination Social Responsibility Group. In summary:

- operational assurance audits were conducted on several key company processes identified through a risk-based methodology and specific follow-up activities were carried out;

- for the purpose of issuing a certificate by the Director responsible for preparing the financial statements in relation to financial reporting as at 30 June 2016 and 31 December 2016 (Law 262/05), on the mandate of the latter periodic monitoring activities were carried out on Model 262 and the activities of maintaining and updating the internal control system documentation relating to the main administrative-accounting processes of YOOX NET-A-PORTER GROUP were completed; It was also ascertained that the system of internal certification to the Director responsible for preparing the financial statements on the completeness, accuracy and reliability of the information provided to the management functions for the preparation of financial reports, and on the effectiveness of the control procedures with accounting significance established within each structure, was functioning correctly;

- to ensure compliance with Legislative Decree 231/01, on the mandate of the Supervisory Body, specific audits were conducted into areas of the Organisational Management and Control Model of YOOX NET-A-PORTER GROUP S.p.A. designated as "sensitive". As a member of the Supervisory Body, the Internal Audit Manager helps to make the Model effect from inside the organisation;

- consultancy activities were carried out to improve internal controls relating to some company areas, also with regard to process and responsibility reorganisations, as well as their formalisation within the scope of company procedures;

- The Company was given support with the launch of a structured risk assessment process for corporate processes (structured analysis of related risks and responses to the risk, to ensure alignment with the risk profile, high standards of business continuity and the corporate strategic objectives), alongside the current Strategic Risk Management model, which is focused on strategically important business initiatives. The work of the Internal Audit department included providing methodological support: it acted as a facilitator, in the identification and assessment of, and response to, process risks remains the exclusive responsibility of management. In the performance of its activity, the Internal Audit gave its support to the Company in establishing a special structure of Security, Risk and Compliance, which directly reports to the Chief Financial and Corporate Officer. This structure is today the owner of the implementation of a structured model of Enterprise Risk Management, organized by the Group Risk Manager, and of the management of appropriate Business Continuity plans and Crisis Management;

- support was also provided to the Company in the maintenance of an SA8000 (Social Accountability) management system, which is a voluntary standard that can be verified by an accredited certification body. The standard appraises and safeguards all personnel within the organisation's sphere of control and influence, setting out fundamental requirements that must be met in order to improve workers' rights and workplace conditions and to manage relations with suppliers and contractors. The Company obtained international SA8000 certification from accredited certification body IQNet Ltd on 20 July 2015. The current scope of application of the certification is limited to the Italian registered offices of Milan and Zola Pedrosa and the Bologna Interporto logistics cluster. The extension of such model to the other companies of the Group is currently under evaluation;

- finally, with reference to the management of the Group's Corporate Social Responsibility process, the Internal Audit Function, after the discontinuation of the publication of the Sustainability Report for the year 2015 due to the integration process following the merger, has guaranteed the update and the extension to all the Group of appropriate reporting tools for sustainability. Further, the Audit Function has managed a stakeholder engagement process internal and external, availing itself of the support of a highly specialized advisor. This process led to the definition of the strategic vision of the Group's Sustainability. The first Sustainability Report of the Group will be published in April 2017 in compliance with the option "core" as defined by the "G4 Sustainability Reporting Guidelines" issued by the Global Reporting Initiative (GRI).

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During the course of the year, the Internal Audit department made use of external parties 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 an organisational, management and control Model to prevent the offences for the purposes envisaged by Legislative Decree 231/2001 (hereinafter also "Model 231"), as subsequently amended on 3 September 2009 with a view to ensuring that corporate activities are conducted correctly and transparently and to protect its position and image and those of Group companies, shareholders' expectations and the work of its employees, formulated according to the specific requirements determined by the entry into force of Legislative Decree 231/2001.

Through the Board of Directors' resolution of 16 December 2010, in the light of the regulatory updates that took place, the Issuer adopted a new version of Model 231 and the Group Code of Ethics. The latest updates of the Model, which include the regulatory and organisational amendments and the most recent legal and doctrinal guidelines on the subject, were implemented by way of Board resolution on 31 July 2013 and on 12 May 2016 - in this last occasion, the implementation was made with reference to the new self-laundering offense under Article 648-*ter* 1 c.p. The Company is also implementing an updated version of the Model, coordinating such activity to the broader construction of the abovementioned Integrated Compliance model.

The Code of Ethics is an integral part of Model 231. It outlines the ethical principles and conduct that should be followed by Company employees and other recipients, helping to create a control environment that can ensure the Issuer's activities are always based on the principles of fairness and transparency, and reducing the risk of the crimes mentioned in Legislative Decree 231/2001.

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

The Supervisory Body, in office until the approval of the financial statements as at 31 December 2017, was appointed by the Board on 27 April 2012 and comprises three members: Rossella Sciolti, an external member, as Chairwoman; Isabella Pedroni, an external member; and Matteo James Moroni, internal member and Head of the Issuer's Internal Audit Function, who replaced Riccardo Greghi on 11 November 2015.

In the meeting on 30 April 2015, the Board decided not to assign to the Supervisory Body functions to the Board of Statutory Auditors.

The Chairman of the Supervisory Body prepared six-monthly reports for the Board of Directors on 9 March 2016 and on 4 August 2016, containing information on the verification and monitoring activities conducted and their outcome.

The offences described in the Issuer's Model 321 are in line with those currently provided for in the legislation: corruption crimes and other offences against the Public Administration (Articles 24 and 25; Article 2635 of the Civil Code); corporate offences (Article 25-*ter*); crimes for the purpose of terrorism or subversion of democratic order (Article 25-*quater*); market abuse (Article 25-*sexies*); manslaughter or serious or extremely serious injury committed in violation of the laws relating to the protection of health and safety in the workplace (Article 25-*septies*); receiving, laundering or using money, assets or goods from unlawful sources (Article 25-*octies*); organised crime (Article 24-*ter*); crimes against industry and commerce (Article 25-*bis*.1); copyright infringement (Article 25-*novies*); incitement to withhold or make false statements to the judiciary authorities (Article 25-*decies*); crimes against the environment (Article 25-*undecies*); employment of citizens from non-EU countries without residence permits (Article 25-*duodecies*); cross-border crimes (Article 3, Law 146/2006); and self-laundering (Article 25-*octies*). The other offences pursuant to Legislative Decree 231/01 were assessed as "not realistically achievable".

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

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

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

11.4 INDEPENDENT AUDITOR

KPMG S.p.A., based at 25, Via Vittor Pisani, Milan, was engaged to perform a statutory audit on the Group's accounts.
The engagement was conferred on this company by resolution of the Shareholders' Meeting of 8 September 2009, on the proposal of the Board of Statutory Auditors, for 2009-2017.

11.5 DIRECTOR IN CHARGE OF PREPARING THE FINANCIAL STATEMENTS AND OTHER CORPORATE ROLES AND FUNCTIONS

Pursuant to Article 19 of the articles of association, following mandatory consultation with the Board of Statutory Auditors, the Board of Directors appoints the Director responsible for preparing the financial statements, pursuant to Article 154-*bis* of the TUF, conferring on him/her sufficient resources 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 responsible for preparing the financial statements must meet the professional requirements of at least three years' experience in administration and control, or in performing management or consulting functions in a listed company and/or related groups of companies or organisations of significant size and importance, also in relation to the preparation and control of corporate accounting documents.

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

On 24 April 2015, the Board, with a favourable opinion from the Board of Statutory Auditors, appointed Enrico Cavatorta - the Issuer's Chief Financial and Corporate Officer - as the Director responsible for preparing the financial statements. With the appointment, the Board checked the existence of the requirements pursuant to the above laws and Company articles of association in force.

With the appointment, the Board granted the Director responsible for preparing the financial statements powers and duties pursuant to Article 154-*bis et seq.* of the TUF.

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

- Prevention and Protection Service (headed by Daniela Rinaldi), which oversees the Integrated Occupational Health and Safety Management and Environmental Management System, defined in accordance with British Standard OHSAS 18001:2007 and standard UNI EN ISO 14001:2004, for the purpose of controlling legislative compliance, specifically in relation to Legislative Decree 81/08 in the area of health and safety, and Legislative Decree 152/06 in the area of the environment. Daniela Rinaldi was reappointed Head of the Prevention and Protection Service on 1 July 2013, appointed Head of the Occupational Health and Safety Management System on 21 December 2011, and appointed Head of the Environmental Management System on 4 March 2013. The function made use of both internal resources and external consultants for auditing activities in 2014. In order to comply with its responsibilities, the function does not have its own budget, which remains the responsibility of the delegated occupational health and safety officer to whom the Head of the Prevention and Protection Service reports;

- Information Security (headed by Varun Uppal), which oversees the Group Information Security Management System based on international standard ISO/IEC 27001, with the purpose of intercepting and managing risks relating to confidentiality, integrity and availability of company information. In 2016, the risks analysis activities carried out by the Information Security Function were extended to risks evaluations and technology due diligence of third parties to the Group. The Information Security Management System further includes personal data protection, in accordance with the requirements of Legislative Decree 196/2003, protection of information relating to credit card transactions, in compliance with the international PCI-DSS standard, and protection of strategic information essential for the business. Gianluca Gaias is Privacy Officer in charge for supervising data protection;

- Security, Risk and Compliance (headed by Gianluca Gaias), which oversees the Group Integrated Compliance Model, by establishing a methodology and a compliance framework for the identification and timely response to requirements defined at Group level and at local level. Further, the Security, Risk and Compliance Function oversees the risk management process through the definition and the management of a structured enterprise risk management based on the international standard ISO 31000 and a Business Continuity Management program (BCM). The Security, Risk and Compliance Function is also responsible for the governance of the processes and the development of the Group's procedures, with the aim of making a constant analysis, simplification, standardization and re-engineering of business processes, covering the different business lines, functions and geographical areas;

Finally, the Security Risk & Compliance Director has defined, with support of the Head of Internal Audit and with the opinion of the Chief Financial and Corporate Officer, assumptions and the methodological approach for the implementation of the abovementioned Group Integrated Compliance Model. To this purpose, the Company has selected and adopted an integrated platform for enterprise governance, risk & compliance and flexible interface with enterprise systems. The Security, Risk & Compliance Director presented the integrated compliance model during the Risk Management Committee of 27 October 2016. The above model follows the "three lines of defence" approach and will allow the implementation at the Group level a dynamic and integrated approach to risk management, able to identify emerging risks in a timely manner and to ensure the right set of information to support the decisional process.

11.6 COORDINATION BETWEEN THE PARTIES 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 ensure, including in the year under review, 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 responsible for preparing the financial statements, the Supervisory Body pursuant to Legislative Decree 231/01, the Independent Auditor, the Information Risks Committee and the Head of the Prevention and Protection Service, each within their sphere of activity and responsibility;

- attendance by the Internal Audit Manager at meetings of the Supervisory Board and meetings of the Information Risks Committee as a member of these bodies, the monitoring carried out by the Internal Audit department pursuant to Law 262/04 on the mandate of the Director responsible for preparing the financial statements and pursuant to Legislative Decree 231/01 on the mandate of the Supervisory Body, and, lastly, attendance by the Internal Audit Manager at all meetings of the Control and Risks Committee held during the year, enabled the Internal Audit department to maintain adequate visibility on the incumbent corporate risks managed in the YOOX NET-A-PORTER GROUP and the problems arising and brought to the attention of the various monitoring and control bodies, giving these appropriate attention and analysis in the half-yearly reports to the Board of Directors, the Director in charge, the Control and Risks Committee and the Board of Statutory Auditors;

- the Control and Risks Committee periodically invites the main functions with second-level control responsibilities for company transactions to its meetings in order to obtain precise and direct information about risk management in the areas of responsibility;

- the Board of Statutory Auditors maintains regular communications with the Board of Directors and the Control and Risks Committee. Specifically, the Board of Statutory Auditors attended all the meetings of the Committee held during the year; the Board attended all the Committee meetings and referred to the Board on 9 March and 4 August 2016;

- the Supervisory Body can be invited to attend meetings of the Board of Directors and the Control and Risks Committee, reporting half-yearly on the activities carried out. Specifically, during the course of the year the Body attended all the meetings of the Committee and reported to the Board on 5 March and 30 July 2014;

- the independent auditor takes part in the meetings of the Control and Risks Committee so that it is constantly updated on the activities and the decisions of the Committee itself, as well as for the purpose of reporting on the planning and outcome of audit activities. The independent auditor attended all the meetings of the Committee during the course of the year;

- on 23 February 2017 the Board of Directors, in accordance with the provisions of Criterion 7.C.1 of the Code, has assessed the adequacy of the coordination between the parties involved in the Internal Control and Risk Management System.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

The Issuer has 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 RELATED-PARTY TRANSACTIONS

On 10 November 2010, the Board of Directors unanimously approved the procedure for related-party transactions (the "Related-Parties Procedure") adopted pursuant to Related-party Transactions Consob Regulation which is applied also taking account of Consob Communication DEM/10078683, published on 24 September 2010, which contains instructions and guidelines for the implementation of the Consob Related-Parties Regulation.

The Procedure was subject to certain amendments on 16 December 2016, due to the Merger, and on 1 March 2017 was performed the annual audit of the Related-parties Procedure pursuant to Article 3.1 of the afore-mentioned Related-Parties Procedure and in accordance with paragraph 6.1 of Consob Communication 10078683 of 24 September 2010.

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, also through its subsidiaries, pursuant to Article 2359 of the Civil Code or subject to direction and coordination activities (the "Subsidiaries");
- establishes the procedure and timing for the fulfilment of the obligation to inform corporate bodies and the market.

The obligations established by the Related-party transactions Procedure therefore also apply to related-party transactions carried out by subsidiaries. For the definition of "related parties" and "related-party transactions", see Section 2 of the Related-party Transactions Procedure.

The Related-party transactions Procedure has been communicated to all the Subsidiaries in accordance with Article 114, para.2 of the TUF. 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 of the related circumstances. The decision to have these 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 Chief Executive Director, he/she will not conclude the transaction. In such cases, the Board's resolutions must state adequate reasons and the benefit for the Issuer of entering into the transaction.

The Related-Parties Procedure and the relative annexes are available in the Governance section of the Issuer's website at www.ynap.com (Governance section).

RELATED-PARTY TRANSACTIONS COMMITTEE

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

The Related-Party Transactions Committee, appointed by the Board meeting of 30 April 2015, is composed of:

- Catherine Gérardin Vautrin – Independent Director - Chairwoman;
- Alessandro Foti – Independent Director;
- Robert Kunze-Concewitz – Independent Director.

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

13. APPOINTMENT OF THE STATUTORY AUDITORS

The appointment and replacement of statutory auditors is governed by the legislation and regulations in force and by Article 26 of the articles of association.

Pursuant to Article 26 of the articles of association, the Board of Statutory Auditors comprises 3 (three) standing auditors and 2 (two) deputy auditors, fulfilling the gender balance requirement pursuant to Article 148, paragraph 1-*bis*, of the TUF, as introduced by Law no. 120 of 12 July 2011. The statutory auditors' term is three years, expiring on the date of the General 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 General 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 General Meeting based on the lists presented by the shareholders, according to the procedures 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 of Statutory Auditors and a deputy 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, at the presentation date, alone or together with other shareholders, hold an equity investment at least equal to that determined by Consob pursuant to Article 147-*ter*, paragraph 1, of the TUF, and in compliance with the Issuers' Regulation, may present a list for the appointment of statutory auditors. In this regard, with Resolution 19856 of 25 January 2017, Consob set the equity investment required to present candidate lists for the election of the Issuer's control body, with reference to the year ended 31 December 2016, at 1% of the share capital.

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

Each list has two sections: one for the appointment of the standing auditors and one for the appointment of deputy auditors. The candidates are listed in sequential order in each section.

Lists containing a total number of three or more candidates must be made up of candidates from both genders, so that the less-represented gender on the same list constitutes at least one-third of the candidates (rounded up) for the post of standing auditor and at least one-third of the candidates (rounded up) for the post of deputy auditor.

Furthermore, the lists contain, also in annexes:

(i) information on the identities of the shareholders who submitted the lists, with an indication of the overall percentages of equity investments held; the ownership of the overall equity investment is confirmed, following the filing of the lists, according to the terms and procedures set out by the regulations, including existing pro tempore regulations;

(ii) declaration of shareholders other than those that hold, also together, a controlling or relative majority equity investment, certifying the absence of relationships pursuant to Article 144-*quinquies* of the Issuers' Regulation approved by Resolution 11971 of 14 May 1999 as subsequently amended and supplemented;

(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.

It is prohibited for any shareholder, shareholders that are part of a shareholders' agreement pursuant to Article 122 of the TUF, and the related parties of these shareholders, to present or take part in the presentation, either personally or through a fiduciary company, of more than a single list, or to vote for different lists, and each candidate may appear on only one list, under penalty of ineligibility. Adhesions and votes cast in breach of this regulation will not be attributed to any list.

Statutory auditors are elected as follows: (i) two standing auditors and one deputy auditor are drawn, according to the numerical order in which they are listed, from the list that obtained the largest number of votes (the "**Majority List**"); (ii) one standing auditor, to be appointed as Chairman of the Board of Statutory Auditors (the "**Minority Auditor**"), and one deputy auditor (the "**Deputy Minority Auditor**") are drawn, according to the numerical 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 "**Minority List**").

If the resulting composition of the Board of Statutory Auditors or the category of deputy auditors does not comply with regulations on balanced gender representation, taking into account their order in the list in the respective section, the last persons elected from the Majority List of the more-represented gender forfeit their places in the necessary numbers to ensure compliance with the requirements, and are replaced by the first non-elected candidates of the less-represented gender on the same list. In the absence of candidates of the less-represented gender in the relevant section of the majority list in sufficient numbers to proceed with the replacement, the General Meeting appoints the missing standing or deputy auditors through majority voting, ensuring satisfaction of the requirement.

If two lists obtain the same number of votes, the list presented by shareholders with the largest equity investment at the time the lists are presented, or, failing that, the list presented by the greatest number of Shareholders, shall take precedence; all of the above must comply with the rules governing balanced gender representation in the bodies of listed companies pursuant to Law 120/11 of 12 July 2011.

If only one list is presented, the Shareholders' Meeting votes 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 deputy auditor on the list are elected, in compliance with the rules governing gender representation in the bodies of listed companies pursuant to Law 120 of 12 July 2011. In this case, the Chairman of the Board of Statutory Auditors is the first standing auditor candidate.

If no lists are presented, the Board of Statutory Auditors and the Chairman are appointed by the General Meeting through simple majority voting prescribed by law, in compliance with the rules governing gender equality in the bodies of listed companies pursuant to Law 120 of 12 July 2011.

If the Majority Auditor leaves the position for any reason, he/she is replaced by the deputy auditor taken from the Majority List. If the Minority Auditor leaves the position for any reason, he/she is replaced by the deputy auditor taken from the Minority List.

Pursuant to Article 2401, paragraph 1, of the Civil Code, the General Meeting appoints and replaces statutory auditors, in compliance with the principle of mandatory minority shareholder representation, and in compliance with the rules governing gender representation in the bodies of listed companies pursuant to Law 120 of 12 July 2011.

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

The Issuer's Board of Statutory Auditors currently in office was appointed by the Ordinary General Meeting of 30 April 2015 and comprises the following members: Marco Maria Fumagalli (Chairman), drawn from list no. 1 presented by the shareholders Kondo S.r.l., Sinv Holding S.p.A. and Ventilò, which resulted the second list as for number of votes; Giovanni Naccarato, drawn from list no. 2 presented by a pool of institutional investors, which obtained the majority of the votes and Patrizia Arienti, appointed through simple majority according to Article 26 of the Company's Articles of Association, as standing auditors, and Andrea Bonechi, drawn from lint no. 2, and Nicoletta Maria Colombo, drawn from list no. 1, as deputy auditors.

The Board of Statutory Auditors will remain in office until the General Meeting convened to approve the financial statements for the year ended 31 December 2017.

For further information on the lists submitted for the appointment of the control body on 30 April 2015, see the Company website www.ynap.com (Governance Section/General Meeting of Shareholders File), where the CVs of the standing auditors and deputy auditors are also available.

YOOX
NET-A-PORTER
GROUP

Composition of the Board of Statutory Auditors

NAME	POSITION	YEAR OF BIRTH	IN OFFICE SINCE	IN OFFICE UNTIL	M/m LIST	INDEP. CODE	% B.A.	OTHER POSITIONS	% C.D.A	% C.R	% C.C.R
MARCO MARIA FUMAGALLI	CHAIRMAN	1961	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	m	X	100	1	100	100	100
GIOVANNI NACCARATO	STANDING AUDITOR	1972	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M	X	83,3	0	62,5	N/A	80
PATRIZIA ARIENTI	STANDING AUDITOR	1960	30/04/2015 FIRST APPOINTED: 27/04/2012	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	-	X	100	0	87,5	N/A	100
NICOLETTA MARIA COLOMBO	DEPUTY AUDITOR	1964	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	m	X	N/A	N/M	N/A	N/A	N/A
ANDREA BONECHI	DEPUTY AUDITOR	1968	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M	X	N/A	N/M	N/A	N/A	N/A

KEY
Position: indicates whether Chairman, standing auditor or deputy auditor.
List: M/m, according to whether the auditor was elected from the majority (M) or minority (m) list.
Indep.: if the statutory auditor can be classified as independent according to the criteria set out by the Code, specifying at the foot of the table if these criteria can be supplemented or amended.
% B.A. shows the attendance, in percentage terms, of the statutory auditors at the Board of Statutory Auditors meetings (the number of meetings that the auditor attended compared to the number of meetings held during the year, or since the auditor took up office, is taken into account in the calculation).
Other positions: indicates the total number of positions of director or auditor covered by the person in question 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 Consob pursuant to Article 144-*quinquiesdecies* of the Issuers' Regulation on the website www.sai.consob.it under *Corporate Bodies – Information for the public. It is hereby recalled that the members of a single supervisory body of listed issuers or company with common financial instruments shall not be subject to the limits governing the accumulation of offices or to the related information obligations.*
R.C. %: shows the attendance, in percentage terms, of the director at Compensation Committee meetings (the number of meetings that the director attended compared to the number of Compensation Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).
C.C.R.: C/M inserted to indicate Chairman/Member of Control and Risks Committee.
%. C.C.R.: shows the attendance, in percentage terms, of the director at Control and Risks Committee meetings (the number of meetings that the director attended compared to the number of Control and Risks Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).
N/A.: not applicable.
N/M: not meaningful

The Board of Statutory Auditors met 6 (six) times during the year.

On average, the meetings lasted approximately two hours and a half.

At least 6 (six) meetings of the Board of Statutory Auditors are scheduled for 2017 in addition to the meetings already held on 3 February and 23 February 2017.

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At the meeting of 3 February 2017, the Board of Statutory Auditors assessed that its members met the requirements of independence, further to the same assessment carried out at the meeting of 30 April 2015 after their appointment, using to this end the criteria in the Code regarding directors' independence. The outcome of the assessment has been disclosed at the Board of Directors held on 23 February 2017.

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

As regards to 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, the proper risk management principles, as well as the regulatory reference framework please see paragraph 4.2 of this Report.

The Board of Statutory Auditors has supervised and will supervise the independence of the Independent Auditor, 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 Auditor and entities within its network.

The Board of Statutory Auditors has constantly maintained normal coordination activities with the Control and Risks Committee and the Internal Audit department. For information on the coordination activities, please see section 11.6 above.

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Pursuant to Legislative Decree 39/2010 ("Implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC"), the Board of Statutory Auditors was endowed with the functions of the Internal Control Committee and the statutory audit and, specifically, the functions of supervising: *(i)* the financial disclosure process; *(ii)* the effectiveness of the internal control, internal review - if applicable - and risk management systems; *(iii)* the statutory audit of the separate financial statements and the consolidated financial statements; *(iv)* the independence of the Independent Auditor, especially in terms of the provision of non-auditing services to the firm undergoing the statutory audit. Starting from 2017, the Internal Control Committee and the Audit will be in charge for the responsibilities under art. 19 of Legislative Decree. N. 39/2010 as amended by Legislative Decree. N. 135/2016

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Pursuant to Article 27 of the articles of association, the Board of Statutory Auditors performs the functions attributed to it 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 specific reference to disclosure to the Board of Statutory Auditors, the Directors must report every quarter, pursuant to Article 150 of the TUF.

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

- the Chairman and the person recording the minutes of the meeting are present in the place in which it is convened;
- 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 recording the minutes of the meeting.

15. RELATIONS WITH SHAREHOLDERS

Relations with shareholders are reported in documentation supplied in a timely fashion and regularly on the Issuer's website, www.ynap.com in the "Investor Relations" and "Governance" section and, where requested by the relevant department, on the authorised archive site called "Market STORAGE" at the following address: www.emarketstorage.com.

Specifically, this website makes available all press releases issued to the market, 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 trading statements), 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 the same website.

Pursuant to article 2.2.3, paragraph 3, letter i) of the Stock Exchange Regulation, on 29 October 2009, the board appointed Silvia Scagnelli Head of the Investor Relations department (contact: investor.relations@ynap.com), to manage relations with shareholders and institutional investors, and possibly carry out specific duties relating to 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. GENERAL MEETINGS AND SHAREHOLDERS' RIGHTS

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

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

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

Pursuant to Article 6 of the articles of association, the Ordinary General Meeting to approve the financial statements must be convened within 120 days of the end of the fiscal year, or, in cases set out in Article 2364, paragraph 2, of the Civil Code, within 180 days of the end of the fiscal year, without prejudice to the provisions of Article 154-*ter*, of the TUF. Extraordinary General 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 articles of association, or, if the meeting was called at the 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 also questions about subjects on the agenda before the General Meeting. Questions received before the General Meeting will be answered, at the latest, during the meeting itself. The Company reserves the right to provide a single answer to questions with the same contents. The call notice indicates the deadline by which the questions put before the General Meeting should reach the Company. The deadline should not be earlier than three days prior to the date of the General Meeting, first or single call, or five days if the call notice requires the

Company to give an answer, before the General Meeting, to questions received. In this case the answers will be supplied at least two days before the General Meeting, including through publication in a dedicated section of the Company website.

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

The Chairman of the General 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 General Meetings and its resolutions to be valid, they must comply with the provisions of the laws in force and the articles of association. All resolutions, including those of elections to company positions, are passed by open ballot.

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

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The right to withdraw may only be exercised within the limits and according to the provisions dictated by binding legal provisions, and pursuant to Article 3 of the articles of association, is in any case excluded if the Company's duration is extended. Under Article 5, paragraph 3 of the articles of association, if resolutions are passed to introduce or remove restrictions on 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 articles of association, 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 General Meeting. Specifically, on the proposal of the Board of Directors, the General 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 General Meeting may vote on the allocation of profits or reserves made up of earnings to employees of the Company or its subsidiaries through the issue, up to an amount equivalent to the profits, of ordinary shares without any restriction or special categories of shares to be assigned individually to employees, pursuant to Article 2349 of the Civil Code.

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

During the year, 1 (one) General Meeting was held on 27 April 2017 (attended by 5 (five) directors). During such General meeting, the Board reported on activity carried out and planned and arranged to supply the shareholders appropriate information to inform them of the decisions taken under the remit of the General Meeting.

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 the meeting held on 23 February 2017, in accordance with Criterion 9.C.4 of the Code, not having occurred during the year 2016 significant variations in the market capitalisation of the Company or in the composition of its corporate structure, the Board did not consider it necessary to propose to the General Meeting any changes to the articles of association 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 the Issuers' 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 articles of association require an equity investment at least equal to that determined by the Consob pursuant to the laws and regulations. In this regard, with Resolution 19856 of 25 January 2017, Consob set the equity investment required to present candidate lists for the election of the Issuer's management body, with reference to the year ended 31 December 2016, at 1% of the share capital.

17. FURTHER CORPORATE GOVERNANCE PRACTICES

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

18. CHANGES SINCE THE END OF THE TAX YEAR

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

Milan, 23 February 2017
Updated on 1 March 2017
For the Board of Directors

Chairman of the Board of Directors
Raffaello Napoleone

YOOX
NET-A-PORTER
GROUP

DIRECTORS' REPORT

YOOX
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DIRECTORS' REPORT

REFERENCE MARKET

In 2016, the online personal luxury[8] market recorded sustained growth in all major geographical markets and continued to improve in terms of online penetration rates compared with the overall personal luxury goods market. This result was achieved due to the considerably better growth recorded by e-commerce compared with the traditional luxury market and due to the increasing take-up by consumers of the online channel, partly driven by the widespread use of smartphones and tablets as shopping devices.

Forrester Research[9] estimates that sales made in 2016 in the global online personal luxury market amounted to approximately Euro 19 billion, an increase of approximately 15%, at constant exchanges, compared with 2015.
Specifically, in 2016, the online personal luxury market in Europe accounted for approximately 21% of the total market, with a growth of approximately 13%, at constant exchange rates, compared with the previous year and with a forecasted CAGR (Compound Annual Growth Rate) for 2016-2020 of 11%.
In 2016, North America accounted for over 30% of the global online personal luxury market, an increase of approximately 11%, at constant exchange rates, compared with the previous year and with a forecasted CAGR (Compound Annual Growth Rate) for 2016-2020 of approximately 10%.
Finally, the Asia-Pacific area, which in 2016 accounted for over 40% of the global online personal luxury market, achieved a growth of almost 20% at constant exchange rates, with a forecasted CAGR for 2016-2020 of approximately 18%.

There are many reasons explaining the growth of the online personal luxury market throughout the world, including: the increasingly wide range of products available on the internet, due to a greater tendency for brands to use the online channel, the growing use of e-commerce by consumers for making purchases – partly due to the rapid, widespread use of mobiles – as well as the search for the most favourable purchasing conditions. Also up in 2016 was the average annual expenditure per user, confirming the emergence of a new, increasingly "digitally native" generation of luxury consumers. Finally, as further confirmation of the growing importance of the digital world, today's customers want an increasingly integrated and consistent experience between the physical and online channels, and it is estimated that in 2016 the online channel will have influenced over 60% of total sales in the luxury sector[10].

A growing number of fashion and luxury brands have forged closer contracts with the online world, thus confirming the strategic role this channel can play in increasing their visibility and what they offer on a global level and establishing a direct relationship with their customers through all purchasing channels. This has meant that more companies than ever have invested in improvements to shopping and user experience, online contents and alternative channels to support online sales in the long term, such as social, mobile commerce and omni-channels.

8 The online personal luxury goods market includes clothing, shoes and bags, accessories, beauty, jewellery and watches.
9 Calculations based on Forrester Research data - "Luxury retail forecast, 2016 to 2021 (Global), Forrester Research Inc., November 2016". The figures, originally expressed in USD and at average exchange rates for 2015, were converted into euros at the average EUR/USD exchange rate for 2015 (1.11).
10 "True-Luxury Global Consumer Insight", BCG - Fondazione Altagamma, 16 February 2017.

INTRODUCTION

During the course of 2016 the Group's sales continued to grow, in all major benchmark markets and in all business lines in which it operates. The number of active customers, the number of unique visitors and the number of orders also all increased.

MULTI-BRAND IN-SEASON BUSINESS LINE

The Multi-brand In-Season business of the Group involves four online stores[11]:

- NET-A-PORTER.COM founded in June 2000, established itself as a leading global online destination in editorial content and luxury e-commerce. As an innovation pioneer, NET-A-PORTER.COM is recognised for its unparalleled editorial content and for a unique selection of fashion and beauty brands.

- MR PORTER.COM founded in February 2011, established itself as a global leader in male fashion, combining a unique product offer including the best men's brands of clothing, accessories, watches and beauty articles.

- THECORNER.COM founded in 2008, is a luxury online boutique dedicated to a unique and distinctive style, presenting an eclectic and selected assortment of the most prestigious brands of avant-garde stylists from all over the world, for men and women, through dedicated mini-stores.

- Founded in 2012, SHOESCRIBE.COM is the online destination for women fully dedicated to the world of footwear: a wide-ranging assortment, selected with attention to detail, ranging from top designers to sought-after brands, enriched by unique published materials and exclusive services.

MULTI-BRAND OFF-SEASON BUSINESS LINE

The Multi-brand Off-Season business of the Group involves two online stores:

- YOOX.COM, founded in 2000, is the global lifestyle leader online store of fashion, design and art. yoox.com offers an infinite selection of products, including an ample choice of clothing and hard-to-find accessories from major global designers, exclusive collection capsules, eco-friendly fashion offers, a unique assortment of design objects, original books and a desirable collection of attractive works of art.

- THE OUTNET.COM, founded in 2009, is the fashion outlet for style experts looking for products of the best designers at attractive prices.

ONLINE FLAGSHIP STORES BUSINESS LINE

YOOX NET-A-PORTER GROUP is also the strategic e-commerce partner of luxury fashion leader brands, through which the Group projects and manages the ONLINE FLAGSHIP STORES. Due to its experience in luxury e-commerce on an international level, YOOX NET-A-PORTER GROUP offers complete solutions to its partner brands. These solutions include the study and implementation of a creative concept, highly innovative interface design, a global technological and logistic platform, research and development, excellent customer care, international web marketing activity and strategic consulting in e-commerce activities.
The Group is also a partner of Kering (formerly PPR Group) with whom it set up a joint venture dedicated to the management of the ONLINE FLAGSHIP STORES of the various luxury brands of the French Group.

As at 31 December 2016, the following ONLINE FLAGSHIP STORES were active. Specifically:

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

[11] The THECORNER.COM AND SHOESCRIBE.COM stores were closed at the end of August 2016.

- emporioarmani.com of the Emporio Armani and Armani Jeans 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, of the Diesel, Diesel Black Gold and 55 DSL brands, operational mainly in Europe since November 2007, and in Japan since February 2011;

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

- valentino.com, of the Valentino brand, operational since April 2008 in the US, since March 2009 in the main European markets and Japan and since November 2014 in China;

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

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

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

- jilsander.com, of the Jil Sander and Jil Sander Navy brands, operational since September 2009 mainly in Europe, the US and Japan; the store expanded to include the Jil Sander Navy brand in January 2011, and was expanded to China in 2016;

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

- albertaferretti.com, of the Alberta Ferretti and Philosophy by Alberta Ferretti brands, operational since March 2010 mainly in Europe, the US and Japan;

- maisonmargiela.com, of the Maison Margiela brand, operational since October 2010, mainly in Europe, the US and Japan;

- brunellocucinelli.com, of the Brunello Cucinelli brand, operational since March 2011, mainly in Europe, the US, Japan and extended to China in April 2014;

- moncler.com, of the Moncler brand, operational since September 2011 mainly in Europe and the US, since September 2012 in China and since September 2014 in Japan;

- armani.com, of the Giorgio Armani, Armani Collezioni, Armani Junior and EA7 brands, operational since October 2011 mainly in Europe, the US, Japan and China; and since July 2016 the Armani Exchange line has also been operational across North America;

- trussardi.com, of the Trussardi 1911 brand, operational since December 2011 mainly in Europe, the US and Japan; in October 2012 it was also extended to the Tru Trussardi and Trussardi Jeans brands;

- barbarabui.com, of the Barbara Bui brand, operational since February 2012, mainly in Europe, the US and Japan;

- pomellato.com, of the Pomellato brand, operational since May 2012 mainly in Europe, the US and Japan;

- alexanderwang.com, of the Alexander Wang and T by Alexander Wang brands, operational since May 2012 in Asia-Pacific area countries including China, Hong Kong and Japan, and in Europe since the fourth quarter of 2012, and since July 2014 in the US;

- missoni.com, of the Missoni brand, operational since March 2013 mainly in Europe, North America and Japan;

- dodo.it, of the Dodo brand, operational since March 2013 mainly in Europe, North America and since the end of 2014 in Japan;
- kartell.com, of the Kartell brand operational since May 2014 in Europe;
- redvalentino.com, of the Red Valentino brand, operational since November 2014, mainly in the US, Europe and Japan and, since July 2015, it has extended to the Chinese market;
- lanvin.com, of the Lanvin brand, active since February 2015 in Europe, United States and the main countries of the Asia-Pacific region, later extended to the Chinese market in March 2015;
- karl.com of the Karl Lagerfeld branch, active since October 2015 in Europe, the US and Japan;
- dunhill.com, of the Alfred Dunhill brand, active since February 2016 mainly in Europe, the US and the countries of the Asia-Pacific region;
- chloe.com, of the Chloé brand, active since June 2016 mainly in Europe, the US, and the countries of the Asia-Pacific region;
- sergiorossi.com, of the Sergio Rossi brand, active since September 2012 in the main European markets, the US, Japan and extended to the Chinese market in June 2014;
- bottegaveneta.com, of the Bottega Veneta brand, managed by the joint venture between Kering and the YOOX NET-A-PORTER GROUP and launched at the end of 2012 in several European markets, the US and Japan;
- stellamccartney.com, of the Stella McCartney brand, managed by the joint venture between Kering and the YOOX NET-A-PORTER GROUP and started at the end of 2012 in Europe, the US and Japan and extended to the Chinese market in January 2014;
- alexandermcqueen.com, of the Alexander McQueen brand, managed by the joint venture between Kering and the YOOX NET-A-PORTER GROUP and active since May 2013, mainly in Europe, the US and Japan and extended to the Chinese market in January 2014;
- balenciaga.com, of the Balenciaga brand, managed by the joint venture between Kering and the YOOX NET-A-PORTER GROUP and active since May 2013, mainly in Europe, the US and Japan and extended to the Chinese market in May 2014;
- ysl.com, of the Saint Laurent brand, managed by the joint venture between Kering and the YOOX NET-A-PORTER GROUP and operational since June 2013 mainly in Europe, the US and Japan;
- brioni.com, of the Brioni brand, managed by the joint venture between Kering and the YOOX NET-A-PORTER GROUP and active since November 2013, mainly in Europe, the US and Japan and extended to the Chinese market in February 2015;
- mcq.com, the Alexander McQueen contemporary line, managed by the joint venture between Kering and the YOOX NET-A-PORTER GROUP and active since April 2015 mainly in Europe, the US and the main countries of the Asia-Pacific region.

REVENUES AND PROFITABILITY

COMPARATIVE ANALYSIS OF INFORMATION WITH RESPECT TO THE PREVIOUS YEAR

This Directors' Report contains information relating to the revenues, profitability and financial position of the YOOX NET-A-PORTER GROUP as at 31 December 2016.

The comparative analysis of economic data as at 30 June 2016 with respect to that of the same period of the previous year substantially reflects the union between the YOOX GROUP and THE NET-A-PORTER GROUP finalised on 5 October 2015, which shows a relevant impact on all positions of the income statement.

To facilitate the comparative analysis, this Directors' Report contains pro-forma information regarding revenues, profits, asset and financial situation, as certain business indicators of the YOOX NET-A-PORTER GROUP at 31 December 2016, compared with the corresponding pro-forma data from the previous year.

The pro-forma comparative data as at 31 December 2015 was prepared by combining historical data of the YOOX GROUP and THE NET-A-PORTER GROUP, and then performing corrections in order to simulate – according to valuation criteria consistent with the historical data, and, as appropriate, with the reference standards represented by the International Financial Reporting Standards ("IFRS") adopted by the European Union – the economic effects of the merger on the economic performance of the YOOX NET-A-PORTER GROUP as if this operation had essentially taken place at the beginning of the year (1 January).

The historical economic data of THE NET-A-PORTER GROUP Limited as at 31 December 2015 comes from the consolidated financial statements of THE NET-A-PORTER GROUP Limited for the 12-month period ended 31 December 2015 and was originally prepared in accordance with the accounting standards applicable in the UK; this data was originally expressed in GBP and, for the purposes of its inclusion in the pro-forma data of the YOOX NET-A-PORTER GROUP, was converted into euros and presented in accordance with the presentation criteria used by the YOOX GROUP.

Specifically, the pro-forma data as at 31 December 2015 of the YOOX NET-A-PORTER GROUP involved the adjustment of final data to retroactively reflect the effects of the merger transaction; therefore, despite respecting commonly accepted general criteria and using reasonable assumptions, it is subject to intrinsic limitations due to the very nature of pro-forma data, since it involved representations based on assumptions.

Taking into consideration the diverse aims of the pro-forma data compared to the historical financial statement data, and since such data is the result of the conversion and re-presentation of THE NET-A-PORTER GROUP Limited data as explained above, as well as the various methods for the calculation of the effects of the merger with reference to the presented pro-forma data, the latter must be read and interpreted separately from the historical data, without trying to make accounting connections between them.
The pro-forma data is not, in any way, meant to represent a forecast of future results and, therefore, it must not be used for that purpose: the pro-forma data does not reflect future data since it is prepared in such a way to represent only the significant, isolated and objectively measurable effects of the merger and related economic transactions, without taking into account potential effects of any business choices and operational decisions made as a result of the merger.

For more information on the preparation criteria of the pro-forma data of the YOOX NET-A-PORTER GROUP as at 31 December 2015, please refer to the Annual Report as at 31 December 2015.

Unless otherwise indicated, all amounts are expressed in thousands of Euro.
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 NET-A-PORTER GROUP S.p.A. is referred to by its full name or simply as the Company; the Group reporting directly to it appears as the YOOX NET-A-PORTER GROUP or simply as the Group; when notes refer to subsidiaries, full company names are used.
All subsidiaries of YOOX NET-A-PORTER GROUP S.p.A. operate in the Group's business sector, or in any event, perform activities that are consistent with those of the Group.

ACCOUNTING POLICIES

This annual financial report as at 31 December 2016 has been compiled in accordance with Article 154-*ter*, paragraph 5 of Legislative Decree 58/98 (TUF) as amended and supplemented, and in compliance with Article 2.2.3 of the Stock Exchange Regulation.

The accounting policies, the consolidation policies and the measurement criteria used in preparing the Annual Report as at 31 December 2016 are consistent with those used to draw up the Annual Report as at 31 December 2015; which is available on the www.ynap.com website, 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.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

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 operating profit and net profit without incentive plans. 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.

Below is the reclassified consolidated income statement for the second half of 2016 compared with the reclassified pro-forma income statement for the second half of 2015:

THOUSANDS OF EUROS	2ND HALF 2016	2ND HALF 2015	CHANGE	
CONSOLIDATED NET REVENUES	973,622	873,229	100,393	11.5%
FULFILMENT COSTS	(596,084)	(529,877)	(66,207)	12.5%
GROSS PROFIT [12]	**377,538**	**343,352**	**34,185**	**10.0%**
% of consolidated net revenues	38.8%	39.3%		
FULFILMENT COSTS	(92,857)	(86,762)	(6,094)	7.0%
SALES AND MARKETING COSTS	(123,271)	(111,234)	(12,036)	10.8%
EBITDA PRE CORPORATE COSTS [13]	**161,410**	**145,356**	**16,055**	**11.0%**
% of consolidated net revenues	16.6%	16.6%		
GENERAL EXPENSES	(78,880)	(76,558)	(2,322)	3.0%
INCENTIVE PLANS	(6,436)	(478)	(5,958)	>100%
OTHER INCOME AND EXPENSES	(3,344)	(2,134)	(1,210)	56.7%
EBITDA [14]	**72,749**	**66,185**	**6,564**	**9.9%**
% of consolidated net revenues	7.5%	7.6%		
DEPRECIATION AND AMORTISATION	(49,548)	(29,150)	(20,397)	70.0%
NON-RECURRING EXPENSES	-	-		
OPERATING PROFIT	**23,202**	**37,035**	**(13,833)**	**-37.4%**
% of consolidated net revenues	2.4%	4.2%		
RESULT OF EQUITY INVESTMENTS	132	498	(366)	-73.5%
FINANCIAL INCOME	28,179	8,665	19,514	>100%
FINANCIAL EXPENSES	(31,216)	(10,226)	(20,990)	>100%
PROFIT BEFORE TAX	**20,297**	**35,973**	**(15,675)**	**-43.6%**
% of consolidated net revenues	2.1%	4.1%		
TAXES	(5,202)	(8,946)	3,744	-41.9%
CONSOLIDATED NET INCOME FOR THE YEAR	**15,095**	**27,027**	**(11,931)**	**-44.1%**
% of consolidated net revenues	1.6%	3.1%		
EBITDA EXCLUDING INCENTIVE PLAN COSTS [15]	**79,186**	**66,663**	**12,523**	**18.8%**
% of consolidated net revenues	8.1%	7.6%		
CONSOLIDATED NET INCOME EXCLUDING INCENTIVE PLANS AND PPA [16]	**32,250**	**27,568**	**4,681**	**17.0%**
% of consolidated net revenues	3.3%	3.2%		

[12] Gross profit is net income before fulfilment costs, sales and marketing costs, general expenses, other 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

In the second half of 2016, the Group's consolidated net revenues stood at EUR 973,622 thousand, an increase of 11.5% compared with EUR 873,229 thousand for the second half of 2015.

EBITDA stood at EUR 72,749 thousand in the second half of 2016, an increase of 9.9% compared with last year (EUR 66,185 thousand), with a margin of 7.5% compared with 7.6% for the same period of the previous year.
EBITDA excluding the incentive plans stood at EUR 79,186 thousand, increasing by 18.8% compared with EUR 66,663 thousand obtained in the second half of 2015 with a net profit margin of 8.1% compared with +7.6% for the same period of the previous year.
Consolidated net income stood at EUR 15,095 thousand compared with EUR 27,027 thousand in the second half of 2015, down 44.1%, with a margin of 1.6% compared with 3.1% in 2015. Excluding the notional charges relating to the incentive plans, the related tax effect and the amortisation of intangible assets recognised following the Purchase Price Allocation process, net income excluding incentive plans and PPA was EUR 32,250 thousand, compared with EUR 27,568 thousand in the second half of 2015.

an accounting measure under 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, and accordingly, the resulting figure may not be comparable.

[13] EBITDA Pre Corporate Costs is defined as profit before general expenses, other 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 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, and accordingly, the resulting figure may not be comparable.

[14] EBITDA is net income 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 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.

[15] EBITDA excluding Incentive Plans is defined as EBITDA net of costs relating to the Stock Option Plans and Company Incentive Plans, described in the consolidated financial statements. For more details, please see to Annex 1 to this Report, which describes the impact of these costs on the reclassified consolidated income statement.

[16] Net income excluding Incentive Plans and PPA is defined as consolidated net income for the period before non-cash costs relating to the Stock Option Plans and Company Incentive Plans and before the amortisation of intangible assets recognised following the Purchase Price Allocation Process.

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The following shows the reclassified consolidated income statement for the year 2016 compared to the pro-forma reclassified income statement for the year 2015:

THOUSANDS OF EUROS	31 DEC 2016	31 DEC 2015	CHANGE	
CONSOLIDATED NET REVENUES	1,870,660	1,665,016	205,644	12.4%
COST OF GOODS SOLD	(1,138,238)	(1,008,055)	(130,183)	12.9%
GROSS PROFIT	**732,422**	**656,961**	**75,461**	**11.5%**
% of consolidated net revenues	39.2%	39.5%		
FULFILMENT COSTS	(181,358)	(165,700)	(15,657)	9.4%
SALES AND MARKETING COSTS	(229,307)	(203,468)	(25,840)	12.7%
EBITDA PRE-CORPORATE COSTS	**321,757**	**287,793**	**33,964**	**11.8%**
% of consolidated net revenues	17.2%	17.3%		
GENERAL EXPENSES	(159,915)	(150,078)	(9,837)	6.6%
INCENTIVE PLANS	(12,351)	(6,720)	(5,631)	83.8%
OTHER INCOME AND EXPENSES	(6,139)	(4,622)	(1,517)	32.8%
EBITDA	**143,352**	**126,373**	**16,979**	**13.4%**
% of consolidated net revenues	7.7%	7.6%		
DEPRECIATION AND AMORTISATION	(91,169)	(56,857)	(34,312)	60.3%
NON-RECURRING EXPENSES	-	-		
OPERATING PROFIT	**52,183**	**69,516**	**(17,333)**	**-24.9%**
% of consolidated net revenues	2.8%	4.2%		
RESULT OF EQUITY INVESTMENTS	371	592	(221)	-37.3%
FINANCIAL INCOME	41,108	18,522	22,586	>100%
FINANCIAL EXPENSES	(45,168)	(17,769)	(27,399)	>100%
PROFIT BEFORE TAX	**48,495**	**70,862**	**(22,367)**	**-31.6%**
% of consolidated net revenues	2.6%	4.3%		
TAXES	(14,565)	(17,428)	2,863	-16.4%
CONSOLIDATED NET INCOME FOR THE YEAR	**33,930**	**53,434**	**(19,504)**	**-36.5%**
% of consolidated net revenues	1.8%	3.2%		
EBITDA EXCLUDING INCENTIVE PLAN COSTS	**155,703**	**133,093**	**22,610**	**17.0%**
% of consolidated net revenues	8.3%	8.0%		
NET INCOME EXCLUDING INCENTIVE PLANS AND PPA	**69,276**	**59,697**	**9,579**	**16.0%**
% of consolidated net revenues	3.7%	3.6%		

In 2016 the YOOX NET-A-PORTER GROUP recorded consolidated net revenues, excluding sales returns and discounts to customers, equal to Euro 1,870,660 thousand, an increase of 12.4% compared with the figure of Euro 1,665,016 thousand as at 31 December 2015.

EBITDA stood at Euro 143,352 thousand at 31 December 2016 compared with Euro 126,373 thousand at 31 December 2015. EBITDA represented 7.6% of net revenues in 2015 compared with 7.7% in 2016. Excluding the notional charges relating to the incentive plans, equal to Euro 12,351 thousand, EBITDA stood at Euro 155,703 thousand (+17.0% compared with the same period in 2015), with a margin on sales of 8.3% compared with 8.0% in the previous year. The increase in the margin is attributable to the operating leverage on fulfilment costs and general expenses, which more than offset the slight fall in gross profit, totally attributable to the unfavourable trend of exchange rates against the Euro.

Consolidated net income stood at Euro 33,930 thousand compared with Euro 53,434 thousand as at 31 December 2015 with a margin of 1.8% compared with 3.2% in 2015. Excluding the notional charges relating to the incentive plans, the related tax effect and the amortisation of intangible assets recognised following the Purchase Price Allocation process, net income excluding incentive plans and PPA was Euro 69,276 thousand, compared with Euro 59,697 thousand in 2015. This performance reflects the improvement in the margin reached at EBITDA level, which was partly offset by greater net financial expenses and the increased effect of the tax burden on net revenues compared with the previous year.

The table below shows several key indicators[17] relating to the Group's activities (with pro-forma adjustments as at 31 December 2015 for comparison purposes):

	31 DEC 2016	31 DEC 2015
NUMBER OF MONTHLY UNIQUE VISITORS[18] (MILLIONS)	28.8	27.1
NUMBER OF ORDERS (THOUSANDS)	8,361	7,072
AOV[19] (EUROS)	334	352
NUMBER OF ACTIVE CUSTOMERS[20] (THOUSANDS)	2,922	2,519

In 2016, the monthly average of unique visitors of the online stores of the YOOX NET-A-PORTER GROUP rose to 28.8 million from 27.1 million in 2015.
The number of orders also rose to 8.4 million, +18.2% over the previous year, with an Average Order Value (AOV), excluding VAT, of Euro 334 compared with Euro 352 in 2015, mainly due to the unfavourable impact of exchange rates. There was also an increase in the number of active customers, which stood at 2.9 million as at 31 December 2016, compared with 2.5 million as at 31 December 2015.

[17] The business metrics refer to proprietary Multi-brand online stores, NET-A-PORTER.COM, MR PORTER.COM, THECORNER.COM, SHOESCRIBE.COM, YOOX.COM, THE OUTNET.COM and the online flagship stores "Powered by YOOX NET-A-PORTER GROUP". The business metrics related to the joint venture with Kering and the jimmychoo.com online store are excluded.
[18] A monthly unique visitor is defined as a visitor who opened at least one browser session to access the online store over the month. The figure reported is calculated as the average of monthly unique visitors in the reporting period. Source: SiteCatalyst for NET-A-PORTER.COM, MR PORTER.COM, and THE OUTNET.COM; SiteCatalyst and Google Analytics for YOOX.COM; Google Analytics for THECORNER.COM, SHOESCRIBE.COM and the online flagship store "Powered by YOOX NET-A-PORTER GROUP".
[19] Average Order Value or AOV, excluding VAT, indicates the average value of each purchase order.
[20] An Active Customer is defined as a customer who placed at least one order during the 12 preceding months.

ANALYSIS OF NET REVENUES BY BUSINESS LINE

The Group's net revenues by business line are reported below as at 31 December and for the fourth quarter of 2016 compared with Group pro-forma net revenues as at 31 December and the fourth quarter of 2015.

THOUSANDS OF EUROS	31 Dec-16		31 Dec-15		Change		Structural growth at const.	exch. rates[21]
MULTI-BRAND IN-SEASON	968,568	51.8%	893,298	53.7%	75,270	8.4%	13.0%	16.0%
MULTI-BRAND OFF-SEASON	696,765	37.2%	596,420	35.8%	100,345	16.8%	19.5%	19.5%
ONLINE FLAGSHIP STORES	205,327	11.0%	175,298	10.5%	30,029	17.1%	19.0%	23.7%[22]
TOTAL YOOX NET-A-PORTER-GROUP	**1,870,660**	**100.0%**	**1,665,016**	**100.0%**	**205,644**	**12.4%**	**16.0%**	**17.7%**

In 2016, the Group posted consolidated net revenues, net of returns and customer discounts, of Euro 1,870,660 thousand, up 12.4% from Euro 1,665,016 thousand for 2015. Structural growth was 17.7%.

THOUSANDS OF EUROS	4Q 2016		4Q 2015		Change		Structural growth at const.	exch. rates
MULTI-BRAND IN-SEASON	263,364	48.9%	249,260	51.6%	14,104	5.7%	11.6%	17.6%
MULTI-BRAND OFF-SEASON	200,555	37.3%	175,745	36.4%	24,810	14.1%	16.4%	16.4%
ONLINE FLAGSHIP STORES	74,261	13.8%	58,297	12.1%	15,964	27.4%	30.7%	34.6%
TOTAL YOOX NET-A-PORTER-GROUP	**538,180**	**100.0%**	**483,302**	**100.0%**	**54,878**	**11.4%**	**15.7%**	**19.2%**

In the fourth quarter, net revenues stood at Euro 538,180 thousand, an increase of 11.4% compared with Euro 483,302 thousand for the fourth quarter of 2015. Structural growth was 19.2%, an improvement over the first nine months of the year (structural growth of 17.1%).

Multi-brand In-Season

The Multi-brand In-Season business line, which includes the activities of the online stores NET-A-PORTER.COM, MR PORTER.COM, THECORNER.COM and SHOESCRIBE.COM, recorded consolidated net revenues of Euro 968,568 thousand, an 8.4% increase over the Euro 893,298 thousand in 2015. Excluding THECORNER.COM and SHOESCRIBE.COM, which did not contribute to the results of the fourth quarter since they were closed on 31 August 2016, structural growth was 16.0%.
In 2016, NET-A-PORTER and MR PORTER initiated several unprecedented partnerships with several of the largest luxury brands at global level, thereby enhancing their position as the main online destinations for luxury women's fashion and men's fashion, respectively. Specifically, both online In-Season stores launched PRADA and IWC Schaffhausen, a significant target for the Group's new category of luxury watches and jewellery.
During the year, Tiffany & Co. and Moncler also debuted on NET-A-PORTER, while Ermenegildo Zegna and Giorgio Armani were added on MR PORTER.
Several exclusive collection capsule wardrobes were introduced including GUCCI for NET-A-PORTER and Moncler Gamme Bleu. More recently, in November 2016, NET-A-PORTER launched a collection of exclusive attire for Middle Eastern customers created by several leading designers such as Alexander McQueen and Dolce & Gabbana.
In 2016, MR PORTER further enhanced its publishing products with the introduction of The Daily, which each day offers original style advice and updates on recent trends as well as a new version of The Style Council, which offers suggestions on the luxury lifestyle and inspirations from the most prestigious influencers. Lastly, with the introduction of the new app for Apple TV, MR PORTER achieved another milestone in the area of luxury content and e-commerce by allowing customers to make purchases directly from MR PORTER videos.

[21] The structural growth of net revenues is calculated at constant exchange rates on an equivalent basis including the net revenues of all online stores that were active at the end of each period, and that were active at the beginning of the corresponding period of the previous year. The reported increase is calculated at current exchange rates on the basis of the actual scope of consolidation.
[22] Growth was related to revenues at retail value (GMV), at constant exchange rates on an equivalent basis.

Finally, in December 2016, NET-A-PORTER and MR PORTER won Luxury Daily's "Luxury Retailer of the Year 2016" award for their unrivalled brand portfolio, best customer experience and excellent content.
Overall, as at 31 December 2016, the Multi-Brand In-Season business line accounted for 51.8% of the Group's consolidated net revenues.

In the fourth quarter of 2016, the Multi-Brand In-Season business line reported consolidated net revenues of Euro 263,364 thousand, with a structural increase of 17.6%, which was an improvement over the first nine months of the year.

Multi-brand Off-Season

The Multi-brand Off-Season business line, including the activity of online stores YOOX.COM and THE OUTNET.COM, recorded net revenues of Euro 696,765 thousand, an increase of 16.8% compared with Euro 596,420 thousand in 2015. During the year, YOOX and THE OUTNET introduced significant new brands in their portfolio. Specifically, YOOX added Burberry Children, and, in the last quarter of the year, the Polo Ralph Lauren shop-inshop, and the first Disney online store dedicated to collaborations with fashion designers.
THE OUTNET added Tom Ford, Fendi and Etro and expanded its private label offerings with the launch of the first collection of Iris & Ink footwear. In 2016, the new release of YOOX was also launched; it was redesigned with the aim of enhancing brand positioning and offering a buying experience with a greater customer focus, leveraging user preferences during navigation, weather conditions based on geographical location and the customer's buying habits.
THE OUTNET also updated its layout, which is now more mobile-friendly, and it launched its first native app for Android.
Overall, as at 31 December 2016, the Multi-Brand Off-Season business line accounted for 37.2% of the Group's consolidated net revenues.

In the fourth quarter of 2016, the Multi-Brand Off-Season business line generated consolidated net revenues of Euro 200,555 thousand, up by 16.4% at constant exchange rates.

Online Flagship Stores

This business line includes the design, set-up and management activities of Online Flagship Stores of some of the leading global luxury fashion brands.
In 2016, this business line generated net revenues of Euro 205,327 thousand, an increase of 17.1% versus Euro 175,298 thousand in 2015.
In 2016, an important milestone for the Online Flagship Stores business line was the partnership with Isabel Marant. The critically acclaimed brand signed a global agreement with the YOOX NET-A-PORTER GROUP with a five-year term for the design and management of isabelmarant.com, which will be launched in June 2017.
In addition, new online flagship stores were launched for Chloé and Alfred Dunhill in Europe, the United States and Asia-Pacific, including China. Furthermore, AlX Armani Exchange debuted in North America in July 2016 as an extension of the existing global partnership with Armani, which was also renewed for a further 10 years until 2025.
Other significant renewals were also signed during the year. Specifically, the partnerships for valentino.com, REDValentino.com, moncler.com and marni.com were renewed for a further five years until 2021.
Lastly, in keeping with the Group's strategy to dynamically manage its portfolio with a focus on profitability, mono-brand agreements were not renewed; overall, they accounted for 0.8% of the net revenues of the YOOX NET-A-PORTER GROUP in 2016. Overall, as at 31 December 2016, the Online Flagship Stores business line accounted for 11.0% of the Group's consolidated net revenues.

In the fourth quarter of 2016, this business line reported a significant increase in growth that translated into consolidated net revenues of Euro 74,261 thousand, up by 30.7% at constant exchange rates.
At retail value, net revenues rose by 34.6% on a structural basis.

YOOX
NET-A-PORTER
GROUP

CONSOLIDATED NET REVENUES BY GEOGRAPHICAL AREA

Below are the Group's consolidated net revenues by geographical area as at 31 December 2016 and as at the fourth quarter of 2016, compared, respectively, with the Group's pro-forma net revenues as at 31 December 2015:

THOUSANDS OF EUROS	31 Dec-16		31 Dec-15		CHANGE		Change in exchange rate costs
Italy	124,783	6.7%	110,927	6.7%	13,856	12.5%	12.6%
United Kingdom	269,935	14.4%	263,860	15.8%	6,075	2.3%	15.3%
Europe (excluding Italy and the United Kingdom)	488,075	26.1%	439,468	26.4%	48,607	11.1%	13.2%
North America	573,903	30.7%	503,112	30.2%	70,791	14.1%	14.0%
Asia-Pacific	302,287	16.2%	242,301	14.6%	59,986	24.8%	27.1%
Other Countries and Not-country-related revenues	111,677	6.0%	105,348	6.3%	6,329	6.0%	16.5%
Total YOOX NET-A-PORTER-GROUP	**1,870,660**	**100%**	**1,665,016**	**100%**	**205,644**	**12.4%**	**16.0%**

THOUSANDS OF EUROS	Q4 2016		Q4 2015		Change		Change in exchange rate costs
Italy	37,410	7.0%	35,781	7.4%	1,628	4.6%	4.8%
United Kingdom	78,219	14.5%	79,601	16.5%	-1,383	-1.7%	16.6%
Europe (excluding Italy and the United Kingdom)	134,364	25.0%	121,951	25.2%	12,413	10.2%	11.0%
North America	172,888	32.1%	151,016	31.2%	21,872	14.5%	13.6%
Asia-Pacific	88,090	16.4%	66,523	13.8%	21,567	32.4%	36.0%
Other Countries and Not-country related revenues	27,209	5.1%	28,430	5.9%	-1,220	-4.3%	10.2%
Total YOOX NET-A-PORTER-GROUP	**538,180**	**100%**	**483,302**	**100%**	**54,877**	**11.4%**	**15.7%**

The YOOX NET-A-PORTER GROUP posted strong growth in all of its major markets in 2016.

Specifically, Italy achieved net revenues of Euro 124,783 thousand, an increase of 12.5% over Euro 110,927 thousand in 2015, with the fourth quarter up by 4.6%. This quarterly performance was due to a challenging comparison (+23.1% in the fourth quarter of 2015) and to a lower propensity to purchase, most likely due to political uncertainty.

The United Kingdom ended 2016 with net revenues of Euro 269,935 thousand, up 15.3% at constant exchange rates (+2.3% at current exchange rates). The performance was supported by a positive performance in the fourth quarter, after the second and third quarters suffered from the effects of Brexit. Specifically, in the fourth quarter of 2016, the United Kingdom achieved net revenues of Euro 78,219 thousand, up 16.6% at constant exchange rates (-1.7% at current exchange rates, penalised by the depreciation of the Euro/British pound exchange rate), which had accelerated compared with the first nine months of the year, due to a significant increase in purchases by the highest spending customer base.

In 2016, net revenues in Europe (excluding Italy and the United Kingdom) stood at Euro 488,075 thousand, an increase of 13.2% at constant exchange rate (+11.1% at current ones). In the fourth quarter, net revenues were equal to Euro 134,362 thousand, an increase of 11.0% at constant exchange rates (+10.2% at current exchange rates), an improvement over the previous quarter. This result reflects the strong growth achieved in Russia and a weaker performance in France and Germany.

North America, the Group's main market, recorded net revenues of Euro 573,903 thousand, up 14.0% at constant exchange rates (+14.1% at current exchange rates) compared with Euro 503,112 thousand in 2015. In the fourth quarter, net revenues for North America were equal to Euro 172,888 thousand, with growth of 13.6% at constant exchange rates (+14.5% at current ones), accelerating compared with the first nine months of the year driven by the excellent performance of the In-Season and Online Flagship Stores business lines.

The Asia Pacific area achieved strong growth, with net revenues of Euro 302,287 thousand, up by 27.1% at constant exchange rates (+24.8% at current exchange rates). Net revenues of Euro 88,090 thousand were recorded in the fourth quarter, an increase of 36.0% at constant exchange rates (+32.4% at current exchange rates), confirming the positive performance already recorded in previous months, driven mainly by China, Hong Kong and Japan.

Lastly, the total of Other Countries and Not-country related earnings posted net revenues of Euro 111,677 in 2016, up 16.5% at constant exchange rates (+6.0% at current exchange rates). Revenue growth of 10.2% at constant exchange rates (-4.3% at current ones) was recorded in the fourth quarter, which reflects excellent growth in the Middle East and lower non-country related revenues.

INVESTMENTS

In 2016, the Group continued to improve its expertise in a logistics and technological framework, also investing in the convergence of the previous systems in a single shared global techno-logistics platform: investments in capital contributions stood at Euro 136,946 thousand, compared with Euro 83,748 thousand in pro-forma investments in the previous year.
In March 2016, YOOX NET-A-PORTER GROUP signed a long-term strategic partnership agreement with IBM to allow the Group to focus further on customer-oriented innovation and innovation aimed at imparting a radical change to in its omni-channel capacities, accelerating and, at the same time, facilitating the integrations of the systems after the merger. Specifically, the partnership includes the implementation of the IBM Order Management System ("OMS") and e-commerce platform, which will take place based on the on the spot help of IBM and daily direct access to the IBM Development Labs of Toronto, Boston and the entire world. Additionally, as confirmation of their commitment to the development of innovative solutions for the online luxury fashion retail sector, YNAP and IBM have set up a Fashion & Luxury Innovation Committee, a think-tank in which YNAP and its brand partners can contribute with ideas and suggestions that IBM will use for the continuous development of made-to-measure e-commerce solutions. At the same time, YNAP became part of the IBM Customer Advisory Council, a forum for chosen IBM customers, whose suggestions can directly influence the future development of IBM products.
In this regard, in November 2016, in line with expectations, the Group successfully reached the first important integration goal aimed at the creation of a single shared global techno-logistics platform, with the migration of all Multi-brand and Mono-brand online stores of the former YOOX GROUP to IBM's new OMS.

The Group also released the existing omni-channel functionalities to a greater number of online flagship stores and further upgraded its mobile offering with the launch of the MR PORTER app for Apple TV and the first Android native app for THE OUTNET.

Lastly, in 2016 the warehouse of the former THE NET-A-PORTER GROUP in Hong Kong became the distribution centre for the Group for the Asia Pacific area (excluding China and Japan) and work began on the new In-Season hub in Italy, which will be operational in 2018.

ANALYSIS OF GROSS PROFIT[23] BY BUSINESS LINE

THOUSANDS OF EUROS	MULTI-BRAND IN-SEASON		MULTI-BRAND OFF-SEASON		ONLINE FLAGSHIP STORES	
	31 DEC 2016	31 DEC 2015	31 DEC 2016	31 DEC 2015	31 DEC 2016	31 DEC 2015
GROSS PROFIT	401,344	364,408	262,351	227,849	68,727	64,705
% OF NET REVENUES	41.4%	40.8%	37.7%	38.2%	33.5%	36.9%
% CHANGE	10.1%		15.1%		6.2%	

[23] Gross profit is defined as the difference between net sales revenues and the fulfilment costs, including shipping costs.

Multi-brand In-Season business line
The gross profit of the In-Season Multi-brand business line stood at Euro 401,344 thousand, growth of 10.1% compared with the pro-forma gross profit of Euro 364,408 thousand of 2015, with a 41.4% margin compared with the figure of 40.8% in 2015. This result reflects a positive performance of the retail margin, achieved in spite of the strong depreciation of the British Pound against the Euro in the second part of the year.

Multi-brand Off-Season business line
The Multi-brand Off-Season business line recorded a gross profit as at 31 December 2016 of Euro 262,351 thousand, an increase of 15.1% compared with Euro 227,849 thousand in the same period of the previous year, with a declining margin on net sales revenues falling from 38.2% to 37.7% in 2016.
This performance was entirely due to the unfavourable trend of exchange rates with respect to the euro and, especially, the English pound and Russian Rouble.

Online Flagship Stores business line
The gross profit of the Online Flagship Stores business line stood at Euro 68,727 thousand, growth of 6.2% compared with the pro-forma gross profit of Euro 64,727 thousand of 2015, with a 33.5% margin compared with the figure of 36.9% in 2015. This performance is mainly attributable to different revenue shares related to reaching predefined volume levels as required by several existing agreements.

FINANCIAL MANAGEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The tables below contain the figures taken from the Group's reclassified consolidated statements of financial position and the Group's consolidated statement of cash flows as at 31 December 2016 compared with the Group's statement of financial position and consolidated statement of cash flows as at 31 December 2015.

Reclassified consolidated statement of financial position at 31 December 2016:

THOUSANDS OF EUROS	BALANCE AT 31 DEC 2016	BALANCE AT 31 DEC 2015	% CHANGE
NET WORKING CAPITAL[24]	36,556	(23,821)	>100%
NON-CURRENT ASSETS	1,880,397	2,013,232	-6.6%
NON-CURRENT LIABILITIES (EXCLUDING FINANCIAL LIABILITIES)	(85,660)	(15,005)	>100%
NET INVESTED CAPITAL[25]	**1,831,293**	**1,974,406**	**-7.2%**
SHAREHOLDERS' EQUITY	1,935,994	2,036,490	-4.9%
NET DEBT/(NET FINANCIAL POSITION)[26]	(104,701)	(62,084)	68.6%
TOTAL SOURCES OF FINANCING	**1,831,293**	**1,974,406**	**-7.2%**

24 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.

25 Net invested capital is the sum of working capital, non-current assets and non-current liabilities, net of medium-/long-term 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.

26 Net debt (or net financial position) is the sum of cash and cash equivalents, other current financial assets, net of bank loans and other financial liabilities falling due within one year, other current financial liabilities and medium-/long-term financial liabilities. Net debt (or net financial position) is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union. The 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), please see the table below in the section "Debt/Consolidated net financial position". "Other current financial assets" are not regulated in detail in the definition of net financial debt (or net financial position) of the CESR; the Group

The Group's net invested capital dropped from Euro 1,974,406 thousand as at 31 December 2015 to Euro 1,831,293 thousand as at 31 December 2016. The decrease in net invested capital was due to the merger with THE NET-A-PORTER GROUP. In fact, the amounts adjusted for this transaction reflect performance in line with the past year. Note the continuous investment of the new Group in the technical-logistics platform and in technology. The positive net financial position was positive and improved, going from Euro 62,084 thousand as at 31 December 2015 to Euro 104,701 thousand as at 31 December 2016.

Change in net financial position for the year ended 31 December 2016 compared with the change in pro-forma net financial position as at 31 December 2015:

THOUSANDS OF EUROS	31 DEC 2016	31 DEC 2015	% CHANGE
EBITDA EXCLUDING INCENTIVE PLANS	155,703	133,093	17.0%
FINANCIAL INCOME AND EXPENSES	(8,790)	1,346	>100%
TAX	(24,913)	(28,902)	-13.8%
CHANGE IN ORDINARY WORKING CAPITAL	(23,445)	(12,189)	92.3%
DISBURSEMENTS FOR INVESTMENTS IN FIXED ASSETS	(136,946)	(83,748)	63.5%
OTHER	(19,178)	(4,139)	>100%
EXCHANGE DIFFERENCE FROM CONVERSION	17,511		
FREE CASH FLOW	(40,058)	5,461	>100%
CHANGE RELATING TO MERGER OPERATION	-	(19,416)	-100.0%
SHARE CAPITAL INCREASE	100,000		
EXERCISE OF INCENTIVE PLANS	186	15,637	-98.8%
EXCHANGE DIFFERENCE FROM CONVERSION[27]	(17,511)		
CHANGE IN NET FINANCIAL POSITION	42,617	1,682	>100%

DEBT/CONSOLIDATED NET FINANCIAL POSITION

The table below gives details of the YNAP Group's net financial position as at 31 December 2016.

THOUSANDS OF EUROS	BALANCE AT 31 DEC 2016	BALANCE AT 31 DEC 2015	% CHANGE
CASH AND CASH EQUIVALENTS	155,465	130,340	19.3%
OTHER CURRENT FINANCIAL ASSETS	67,666	63,057	7.3%
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	(17,639)	(29,450)	-40.1%
OTHER CURRENT FINANCIAL LIABILITIES	(1,809)	(645)	>100%
SHORT-TERM NET FINANCIAL POSITION	203,684	163,303	24.7%
MEDIUM-/LONG-TERM FINANCIAL LIABILITIES	(98,982)	(101,219)	-2.2%
CONSOLIDATED NET FINANCIAL POSITION	104,701	62,084	68.6%

integrates this definition by including in "other current financial assets" the credits held towards acquirers and logistic operators, who are required to collect payment upon delivery.

27 They refer to the difference resulting from the conversion of the ordinary working capital, investments and the item "Other" into euros between the exchange rate at 31 December 2016 and that at 31 December 2015.

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.

The Group met its financial needs during the year by using lines of credit in order to finance investments and use equity at the time of acquisition campaigns and the integration of THE NET-A-PORTER GROUP.

To ensure adequate financial flexibility also in years to come, in the year ended 31 December 2016, the Group renegotiated its lines of credit with the major banks and as at 31 December 2016 had a total of Euro 315 million, of which Euro 257 million expiring on average in between 4 and 5 years. Of these available lines, Euro 207 million were not utilised. The annual cost on the nominal value of the total of lines of credit was equal to an average spread of approximately 123 bps. The lines utilised as at 31 December 2016 were fully hedged against the risk of interest rate fluctuations.

Cash and cash equivalents totalled Euro 155,465 thousand as at 31 December 2016, and are made up of cash, negotiable instruments and demand deposits or short-term deposits with banks, which are actually available and readily usable.

As at 31 December 2016, financial liabilities stood at Euro 116,621 thousand and were mainly made up of medium-/long-term loans agreed for funding the investment in the techno-logistics platform and for managing the integration process under way. Specifically, outstanding long-term loans were provided by a lending syndicate in the following amounts: Banca Nazionale del Lavoro: Euro 20,625 thousand; UniCredit: Euro 28,125 thousand; and Banca Intesa: Euro 26,250 thousand. Other loans were provided by Banca Sella (Euro 1,250 thousand, all short term) and EIB (Euro 27,245 thousand (of which Euro 8,999 thousand short term). The remaining financial liabilities refer to finance leases totalling Euro 11,614 thousand (of which Euro 5,876 thousand is short term) dedicated to investments in technology and current IFI financial payables (Factoring) for a total of Euro 1,506 thousand, in addition to related accruals (Euro 6 thousand).

Other current financial liabilities as at 31 December 2016, amounting to Euro 1,809 thousand, are attributable to the negative fair value of derivative transactions (accounted for in accordance with IAS 39 using the cash flow hedge method) carried out to hedge the interest rate risk in relation to loan agreements (Euro 654 thousand) and the negative fair value of derivative transactions carried out to hedge the exchange rate risk in relation to sales in US dollars (Euro 1,155 thousand).

Other current financial assets as at 31 December 2016, equal to Euro 67,666 thousand, refer mainly to financial receivables due to the Group from acquirers who manage authorisations for cards belonging to national/international credit or debit card circuits used for online sales, and logistics operators who are asked for cash for payments on delivery (Euro 54,584 thousand), as well as an interest-bearing deposit with the BNL bank (Euro 10,475 thousand). The remaining part is attributable to the positive fair value of derivative transactions (accounted for according to IAS 39 using the Cash flow hedge method) set up to hedge the exchange rate risk deriving from sales in Japanese yen (Euro 390 thousand) and US dollars (Euro 282 thousand), and lastly financial deferrals recognised at the end of the quarter (Euro 1,935 thousand).

RECONCILIATION OF PARENT COMPANY'S EQUITY AND PROFIT FOR THE YEAR WITH THE EQUITY AND PROFIT FOR THE YEAR PERTAINING TO THE GROUP

The following table provides a reconciliation of the Parent Company's equity and profit for the year with the same consolidated figures pertaining to the Group for 2015 and 2016.

	31 DEC 2016		31 DEC 2015	
THOUSAND EURO	NET INCOME	SHAREHOLDERS' EQUITY	NET INCOME	SHAREHOLDERS' EQUITY
PARENT COMPANY'S FIGURES	(43,921)	2,056,785	(11,351)	1,989,365
CONSOLIDATION ADJUSTMENTS				
DIFFERENCE BETWEEN CARRYING AMOUNT AND PROPORTIONAL SHARE OF EQUITY OF SUBSIDIARIES AND ASSOCIATES	79,566	(118,402)	27,688	47,798
ELIMINATION OF INTRA-GROUP PROFITS	(2,486)	(3,711)	493	(1,225)
TAX IMPACT ON UNREALISED INTRA-GROUP PROFITS	771	1,322	(222)	551
TOTAL CONSOLIDATION ADJUSTMENTS	77,851	(120,791)	27,959	47,125
EQUITY AND PROFIT PERTAINING TO THE GROUP	33,930	1,935,994	16,608	2,036,490

INFORMATION ON SIGNIFICANT NON-EU COMPANIES

YOOX NET-A-PORTER GROUP S.p.A. considers the changes in the Consob Regulation on markets, as amended through the Resolution 16191 dated October 29, 2007, concerning the listing of firms that are parent companies of extra-European firms.

Please note that THE YOOX NET-A-PORTER GROUP S.p.A. controls, directly or indirectly, 6 relevant companies which are governed by the laws of countries outside the European Union ("Relevant non-EU Companies").

As a matter of fact, THE YOOX NET-A-PORTER GROUP S.p.A. planned and carried out some activities in order to adapt itself towards a full compliance with such legislation.

In particular:

- all of the Relevant extra-EU Companies already write their accounts for the consolidated financial statements; the balance sheet and income statement of such companies are available to THE YOOX-NET-A-PORTER GROUP S.p.A. shareholders' within the terms and conditions prescribed by the regulations;

- THE NET-A-PORTER GROUP S.p.A. acquired the same rules, structure and powers of the governing bodies of the relevant non-EU companies;

- the non-EU relevant companies provide the parent company auditor with information necessary to perform the audit of the annual and interim financial statements of the parent company; also they use an administrative and accounting system appropriate to report to the management and to the YNAP Group's auditor economic data and financial data necessary for preparation of the consolidated financial statements.

The Company has direct control over Largenta Limited, operating under UK jurisdiction, that owns the controlling shares of group NET-A-PORTER. On June 23rd, 2016, the Referendum, called "Brexit", that took place in the United Kingdom sanctioned the exit of the country from the European Union. Based on the information available up to this moment, the exit procedure of the United Kingdom will be in full effect by March, 2019. No significant impacts are expected, other than Euro/Lir exchange rate flactuation.

Therefore, THE YOOX NET-A-PORTER GROUP S.p.A Control Commitee, in order make sure to fulfill all the bylaw duties in the subject matter, has verified the suitability of its administrative and accounting systems in delivering regularly to YNAP S.p.A.

management and auditors its profit and loss, balance sheet and financial records required for the Consolidated Financial Statement. The punctuality of such information flow is guaranteed by regular meeting with the above mentioned parties.

OTHER INFORMATION

The subsidiaries do not hold any shares of YOOX NET-A-PORTER GROUP S.p.A. The Parent Company does not have any controlling companies.

Relations between the Group companies can be summarised as follows:

- the supply of products to subsidiaries earmarked for sales on the US, Japanese and Asia Pacific area websites;
- maintenance, support and update services for the subsidiaries' websites;
- administrative, financial and legal services provided to subsidiaries;
- customer services provided 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 for the subsidiaries.

Relations among the Group companies or between 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 under normal market conditions and in the interest of the actual Group. There were no atypical or unusual transactions. For more details, please refer to the consolidated financial statements as at 31 December 2016.
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 revenues incurred between Group companies are reported in detail in the consolidated financial statements as at 31 December 2016.

For trade transactions between Group companies and parties included among shareholders and/or directors, refer to the consolidated financial statements as at 31 December 2016.

For the financial statements impact of the Group transactions with related parties, refer to the consolidated financial statements as at 31 December 2016.

YOOX NET-A-PORTER GROUP S.p.A.

RECLASSIFIED INCOME STATEMENT OF YOOX NET-A-PORTER GROUP S.P.A.

YOOX S.p.A. reclassified income statement for the year ended 31 December 2016:

THOUSANDS OF EUROS	31 DEC 2016	31 DEC 2015	CHANGE	
NET REVENUES	578,904	517,829	61,074	11.8%
COST OF GOODS SOLD	(445,229)	(373,367)	(71,862)	19.2%
GROSS PROFIT	133,675	144,463	(10,787)	-7.5%
% of net revenues	23.1%	27.9%		
FULFILMENT COSTS	(48,054)	(44,075)	(3,979)	9.0%
SALES AND MARKETING COSTS	(40,948)	(32,176)	(8,772)	27.3%
EBITDA PRE-CORPORATE COSTS	44,673	68,211	(23,539)	-34.5%
% of net revenues	7.7%	13.2%		
GENERAL EXPENSES	(54,806)	(28,410)	(26,397)	92.9%
OTHER INCOME AND EXPENSES	(6,011)	(4,087)	(1,924)	47.1%
EBITDA	(16,144)	35,715	(51,859)	>100%
% of net revenues	-2.8%	6.9%		
DEPRECIATION AND AMORTISATION	(35,659)	(29,085)	(6,574)	22.6%
NON-RECURRING EXPENSES		(18,366)		-100.0%
OPERATING PROFIT	(51,803)	(11,736)	(40,067)	>100%
% of net revenues	-8.9%	-2.3%		
RESULT OF EQUITY INVESTMENTS	3,571	3,160	411	13.0%
FINANCIAL INCOME	9,188	4,916	4,272	86.9%
FINANCIAL EXPENSES	(12,674)	(10,097)	(2,577)	25.5%
PROFIT BEFORE TAX	(54,918)	(13,757)	(41,161)	>100%
% of net revenues	-9.5%	-2.7%		
TAXES	10,997	2,406	8,591	>100%
NET INCOME FOR THE FISCAL YEAR	(43,921)	(11,351)	(32,570)	>100%
% of net revenues	-7.6%	-2.2%		
EBITDA EXCLUDING INCENTIVE PLAN COSTS	(5,850)	37,169	(43,019)	>100%
% of net revenues	-1.0%	7.2%		
CONSOLIDATED NET INCOME EXCLUDING INCENTIVE PLANS	(36,859)	2,246	39,105	
% of consolidated net revenues	-6.4%	0.4%		

The Parent Company's revenues, net of returns and customer discounts for 2016, were Euro 578,904 thousand, an increase of 11.8% on the previous year. These figures include revenues from the Parent Company's supply of goods to subsidiaries.

EBITDA totalled negative Euro 16,144 thousand, representing -2.8% of revenues.
There was a net loss of Euro 43,921 thousand in 2016, compared with a net loss of Euro 11,351 thousand in 2015.

INVESTMENTS OF YOOX NET-A-PORTER GROUP S.P.A.

In 2016 YOOX NET-A-PORTER GROUP S.p.A. made investments totalling Euro 98,585 thousand. Since nearly all the Group's investments were made by the Parent Company, see the Investments section for additional information.

SUMMARY FINANCIAL POSITION OF YOOX NET-A-PORTER GROUP S.P.A.

YOOX NET-A-PORTER GROUP S.p.A. reclassified statement of financial position for the year ended 31 December 2016:

THOUSANDS OF EUROS	BALANCE AT 31 DEC 2016	BALANCE AT 31 DEC 2015	% CHANGE
NET WORKING CAPITAL	65,212	61,229	6.5%
NON-CURRENT ASSETS	2,033,419	1,956,582	3.9%
NON-CURRENT LIABILITIES (EXCLUDING FINANCIAL LIABILITIES)	(330)	(221)	49.3%
NET INVESTED CAPITAL	**2,098,302**	**2,017,590**	**4.0%**
SHAREHOLDERS' EQUITY	2,056,785	1,989,365	3.39%
NET DEBT/(NET FINANCIAL POSITION)	41,517	28,224	47.1%
TOTAL SOURCES OF FINANCING	**2,098,302**	**2,017,590**	**4.0%**

YOOX NET-A-PORTER GROUP S.p.A. consolidated statement of cash flows for the year ended 31 December 2016

THOUSANDS OF EUROS	31 DEC 2016	31 DEC 2015	% CHANGE
CASH FLOW GENERATED BY (USED IN) OPERATING ACTIVITIES	(14,258)	15,879	<100%
CASH FLOW GENERATED BY (USED IN) INVESTING ACTIVITIES	(91,984)	(61,745)	49.0%
SUBTOTAL	**(106,241)**	**(45,866)**	**<100%**
CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES	80,041	39,545	<100%
TOTAL CASH FLOW GENERATED DURING THE YEAR	**(26,201)**	**(6,321)**	**<100%**

The net financial position of the Parent Company as at 31 December 2016 was a negative figure of Euro 41,517 thousand, compared with negative Euro 28,224 thousand as at 31 December 2015.
As already indicated, in accordance with the Group's organisational structure, treasury operations are centralised at the Parent Company, YOOX NET-A-PORTER GROUP S.p.A., which manages all lines of credit provided to the Group.
Cash and cash equivalents totalled Euro 58,480 thousand as at 31 December 2016, a significant change on the figure as at 31 December 2015 (Euro 84,680 thousand), 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 debt/net financial position.

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

INFORMATION FOR INVESTORS

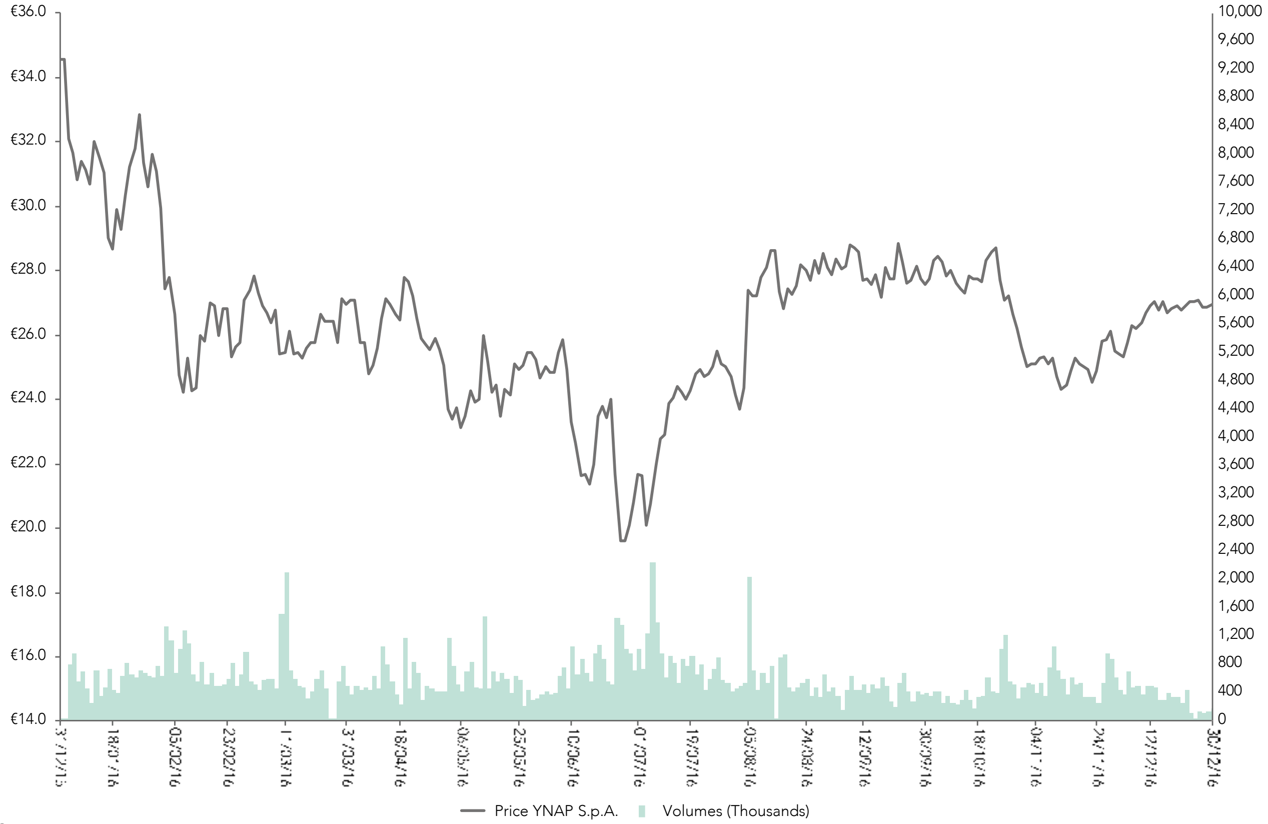
Since 3 December 2009, the shares of the Group have been listed on the STAR segment of Borsa Italiana (ISIN Code IT0003540470). After that, the share was also admitted to the Italia Mid Cap[28] index, to then, on 23 December 2013, join the FTSE MIB - the main index of Borsa Italiana consisting of the top 40 Italian companies by capitalisation and liquidity.
As of the date of the document, the Group's shares are traded on the Mercato Telematico Azionario (MTA) organised and operated by Borsa Italiana, following the decision of the Board of Directors of the Company to request exit from the STAR segment on 30 July 2015. This decision is attributable to the context of the merger between YOOX GROUP and THE NET-A-PORTER GROUP, to the high market capitalisation of the Group and to the inclusion of the stock in the FTSE MIB index from 2013.
Following 5 October 2015, the effective merger date, the new issue shares that resulted from the YOOX NET-A-PORTER GROUP operation itself, as well as the ordinary shares already outstanding as of that date, were admitted to trading on the MTA with the new ticker "YNAP" and included in the FTSE MIB index.
As at 30 December 2016, the last day of trading of the year, the YOOX NET-A-PORTER GROUP stock closed at EUR 26.94, corresponding to a market capitalisation equalling EUR 3.6 billion.

YOOX NET-A-PORTER STOCK PERFORMANCE IN 2016

After closing 2015 among the three best stocks in the main FTSE MIB basket, the YNAP shares closed 2016 under the highs recorded in December 2015 with a mixed performance during the twelve months of the year. This performance is attributable to the macro-economic trends that have weighed on the Italian market and in particular on the luxury sector (see the graph on page 88 for the performances of the benchmarks of the e-commerce sector[29], luxury[30] and Italian luxury[31] during the period in reference) in addition to the severe political and economic uncertainties that have generated an increase in volatility in the markets. Fears of a slowdown in the Chinese economy as a result of macroeconomic data below expectations in the early months of the year, the significant fall in oil prices and the result of the referendum in favour of the exit of the United Kingdom from the European Union have led to a general negative effect on financial markets.
From the lows recorded at the end of June, in the second half of the year the YNAP share recorded an increase of 29.6% (period 30 June to 31 December), a performance 10.9 percentage points higher than the Italian benchmark index in the same period (FTSE MIB +18.7%).
Between the time of the listing and 30 December 2016, the share price increased by 527% over the flotation price (EUR 4.3), while during the twelve months up to 30 December 2016, the stock recorded a decline of 22.0% over its closing price at 30 December 2015 (the last day of trading in 2015).

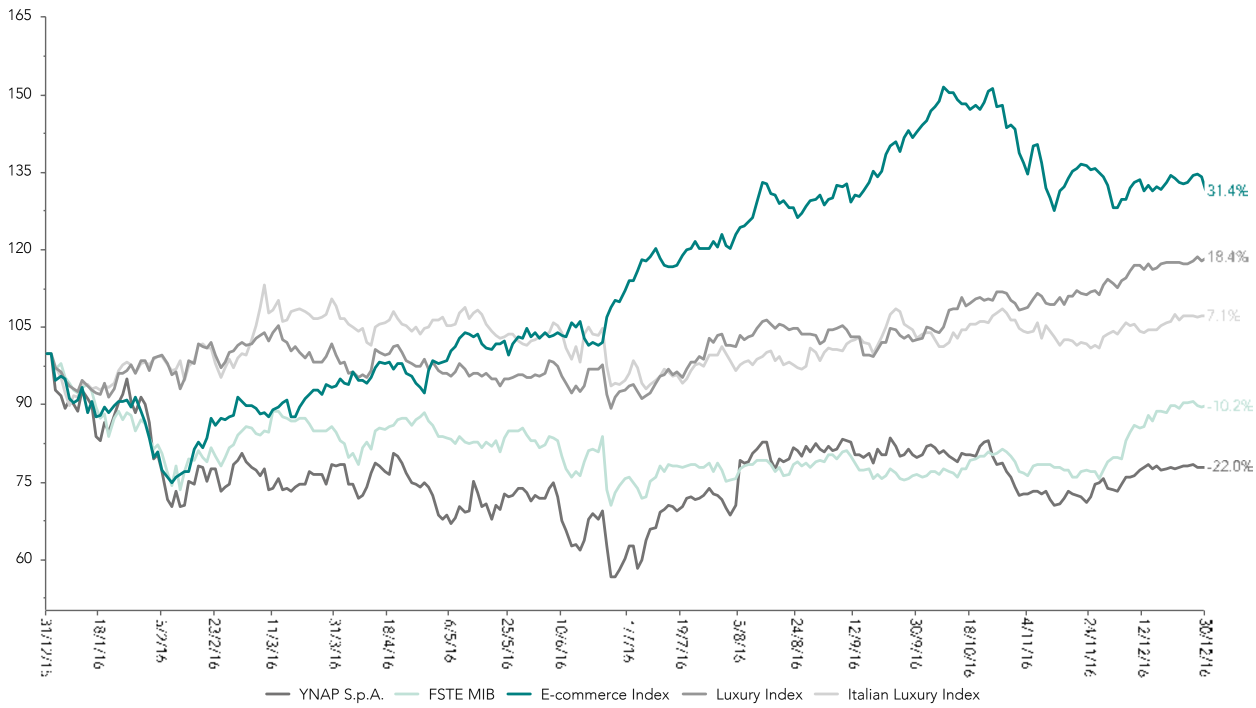
[28] The FTSE Italia Mid Cap index includes the top 60 companies in terms of capitalisation and liquidity outside of the FTSE MIB index.
[29] The representative index for the e-commerce sector includes Alibaba, Amazon, ASOS, boohoo.com, Blue Nile, eBay, Start Today and Zalando.
[30] The representative index of the luxury sector includes Brunello Cucinelli, Compagnie Financière Richemont, Hermès, Kering, LVMH, Moncler, Prada, Salvatore Ferragamo and Tod's.
[31] The representative index of the Italian luxury sector includes Brunello Cucinelli, Moncler, Prada, Salvatore Ferragamo and Tod's.

YOOX
NET-A-PORTER
GROUP



Source: Factset

YOOX NET-A-PORTER GROUP SHARE PERFORMANCE COMPARED WITH THE MAIN BENCHMARK INDICES IN 2016



Source: Factset

The table below summarises key stock and stock exchange data for 2016.

STOCK AND STOCK EXCHANGE DATA	30 DEC 2016
CLOSING PRICE AS AT 30 DEC 2016 (EURO)	26.94
MAXIMUM CLOSING PRICE FOR 2016 IN EURO – 26 JAN 2016	32.86
MINIMUM CLOSING PRICE FOR 2016 IN EURO – 27 JAN 2016	19.60
MARKET CAPITALISATION AS AT 31 DEC 2016 (EURO MILLION)	3,603.0

Source: Borsa Italiana

STOCK COVERAGE

Stock analyst coverage at 14 February 2011 includes 21 financial analysts: Banca IMI, Bank of America Merrill Lynch, Citi, Deutsche Bank, Equita, Exane BNP Paribas, Fidentiis, Goldman Sachs International, Intermonte, J.P. Morgan, Kepler Chevreux, Mediobanca, Morgan Stanley, supplemented in 2016 by Arete, Banca Akros, Berenberg, Bryan Garnier & Co., Credit Suisse, Hammer Partners, KeyBanc, Macquarie.

SHAREHOLDER STRUCTURE

As at 31 December 2016, the share capital issued stood at Euro 1,337,413.05 corresponding to a total of 133,741,305 shares with no indication of par value, pursuant to Article 2346 of the Italian Civil Code of which 90,835,167 were ordinary shares, admitted to trading on the MTA and 42,906,138 were B Shares with no voting rights and not listed.

As at 31 December 2016, 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 NET A-PORTER GROUP S.p.A. ordinary share capital were as follows:

SHAREHOLDERS	31 DEC 2016
FEDERICO MARCHETTI	5.7%
RICHEMONT	25.0%
RENZO ROSSO	5.7%
ALABBAR ENTERPRISES	3.9%
CAPITAL RESEARCH AND MANAGEMENT COMPANY	3.6%
FIDELITY INTERNATIONAL	3.2%

Note: Percentages calculated on ordinary share capital, represented by 90,835,167 ordinary shares.

INVESTOR RELATIONS

The Group places a particular emphasis on developing its relationships with analysts, shareholders and institutional investors. During the year, the Group's activities were mainly articulated around organizing road shows in some of the major financial centres in Europe and the United States, as well as events dedicated to institutional investors at the Group's offices in Milan and London and preparing the first post-merger Capital Markets Day of the Group, held in London on 6 July 2016, during which the Group's new strategic plan for the 2016-2020 period was presented.
Financial communication continued to take 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 Group is exposed to various types of risks related to the business in which it operates.

To mitigate the risks, YNAP adopted an organisational structure to manage the risk control organisational model appropriately in view of the risk exposure, with an approach preserving the efficacy and profitability of operations along the whole value chain, according to the best practice of enterprise risk management. Following a precise policy, certain roles and responsibilities were established and specific procedures were defined, guaranteeing the analysis, measurement, monitoring and management of risks, as described more in detail in the Corporate Governance and Proprietary Asset Report.

The risks and uncertainties described below are not the only ones to which the Group is exposed. Additional risks and uncertain events, of which the Group is not aware or presently considers irrelevant, could also become important factors and influence activity. In case any of the events occurs, it could considerably and unfavourably affect the activity, financial situation and economic results of the Group.

The main operational risk factors are identified as:

- *Risks related to maintaining relations with strategic and commercial partners*

The activity and the strategy of the Group are based, among other things, on close cooperation with strategic partners in the management of the Mono-brand online stores. The Company cannot rule out that the absence or non-development, for any reason, of the aforementioned cooperation with new strategic partners, could have negative effects on the activity of the Group and on its operating and financial situation.

The Group also maintains relations with multiple business partners regarding Multi-brand business lines. It has long-term, consolidated relations with the majority of them. However, it cannot be ruled out that the termination of such relations for any reason, or the reduced supply of products by partners, or supply at less favourable conditions, could negatively influence the capacity of the Group to obtain sufficient supplies to meet current or future demand for products by clients.

- *Risks related to obtaining expected benefits from the acquisition of THE NET-A-PORTER GROUP*

The acquisition of the 100% investment in THE NET-A-PORTER GROUP and the related integration of the two businesses has the objective of benefiting from the integration synergies useful for long-term business planning.

The capacity of obtaining benefits from the integration is critical for the Group in order to maintain the international development approach to its activities.

The inability of the new YNAP Group to successfully integrate the activities of YOOX and THE NET-A-PORTER GROUP and obtain the synergies expected from the merger could significantly prejudice the economic, asset and financial results of the Group.

- *Risks related to fluctuations of exchange rates and interest rates and credit access risk*

The Group operates in various countries and a consistent part of activities is performed on international markets.

YNAP S.p.A. prepares its consolidated financial statement in its operative currency (the euro), while the financial statements of each subsidiary are prepared using the operative currencies of those companies.

Consequently, the fluctuations of exchange rates of operative currencies of foreign companies of the YNAP Group with respect to the functional currency used by the Company has an impact on the economic and financial conditions of the YNAP Group. Therefore, the revenues and profits of the Group are subject to the risk of fluctuation of exchange rates, with a resulting potential effect on the activity, results and economic and financial situation of the YNAP Group.

The YNAP Group is exposed mainly to comparisons with the US dollar, Japanese yen, British pound, Chinese renminbi, Hong Kong dollar, Australian dollar and Canadian dollar.

The exposure to interest rate risk derives from the need to finance the operative activities of the YNAP Group, in particular the infra-annual need for working capital and capital account investments, apart from the use of cash and cash equivalents. The rate risk is related to the uncertainty of variable type interest rates. In particular, a rate increase could result in an increase in financial costs of variable rate debt, and therefore in an increase of the cash flow part to be used to service debt and a resulting increase of the cash flow to be used to service debt and a reduction of available cash flow.

Presently the Group has Euribor indexed financing and credit lines, therefore it is subject to the risk of interest rate increase. To mitigate this risk the YNAP Group obtained Interest Rate Swaps to cover the existing medium-/long-term financing.

Regarding the credit access risk, the Group has access to lines of credit at favourable market conditions. In the case of a change in the conditions of the financial markets and the global economy, the Group might need to obtain further financing at less favourable market conditions, which would result in higher financing costs.

- *Risks related to the functioning of IT systems*

The Group operates in the electronic commerce sector. This activity is based on the use of information systems, which are subject to multiple operational risks. For example, they may involve malfunctioning and defects of software programming, equipment defects, work interruptions, illegal actions of third parties and/or exceptional events such as natural disasters, which could prejudice the correct functioning of such systems and oblige the Group to suspend or interrupt the provision of services.

Carrying out the Group's activity is also strictly correlated with the capacity to protect its IT systems and technological equipment from damage caused by interruption of telecommunication and energy services, viruses and cyberattacks and other events that can affect the normal execution of activities.

- *Risks related to the growth of the electronic commerce market*

The Group operates in the sector of electronic commerce. This sector experienced an increase in business volumes in recent years due to a constant growth of demand, and therefore, increased sales of products.

The e-commerce sector depends significantly on the development of interconnection networks and instruments, clients' desire to buy online, and the development of activities, including internet marketing activities.

- *Risks related to changing consumer spending habits*

The sector in which the YNAP Group operates is sensitive to changes in consumer spending habits. This sector may be influenced, among other others, by the economic context of the countries in which the activity is performed, consumer spending power, uncertainty surrounding economic prospects and future policies and changing consumer orientation.

- *Risks related to changing political, regulatory and legislative conditions of countries in which the Group operates*

The Group operates in multiple countries on a global scale, given the international nature of its activity. The YNAP Group is obviously exposed to risks affecting all globally operating businesses as listed below:

- exposure to local economic conditions and policies;
- implementation of restrictive import and/or export policies;
- being subject to multiple tax regimes, including transfer pricing rules and the application of deductions or other taxes on royalties and other payments from or to subsidiaries;
- introduction of policies limiting or restricting foreign investments and/or commerce, as well as exchange rate control policies and related restrictions of repatriation of capital;
- introduction of more restrictive laws or regulations (in particular in relation to online activities and the protection of consumers in online transactions).

- *Risks related to the high level of competitiveness in the reference market*

The Group's revenues are generated in the highly competitive e-commerce sector. YNAP competes, mainly in Europe and North America, with other major international operators in the same sector. These markets are highly competitive in terms of product and service quality, innovation and economic conditions.

- *Risks related to technological development*

The internet and the e-commerce sector are characterised by fast technological development and experience competitive pressure resulting from technological development.

The success of the Group also depends on the capacity to innovate its technologies quickly and efficiently, and to strengthen the existing ones in order to benefit from technological progress and solutions emerging in the sector.

- *Risk related to the selection and training of qualified staff*

The Group's success depends largely on its ability to find, train and retain professionals with the skills necessary for the development of the Group and individual business areas.

The inability to attract, retain and motivate new, qualified resources could therefore have a negative impact on the business perspectives of the Group, its economic results and financial situation.

- *Risk related to the presence of restrictive covenants in the Group's financing agreements, which could limit its financial and operative flexibility.*

Some financing agreements related to the Group's debt contain certain covenants, limiting the possibilities of the Group's companies to:

- increase their debt;
- make certain investments;
- conclude certain types of transactions with associated companies;
- sell certain types of assets or merge with other companies;
- use their assets as guarantees in other transactions; and
- conclude sales transactions with buy-back agreements.

- *Risk related to stock sizing*

The complexity associated with stock sizing with regard to the Multi-brand business line, connected with the accurate projection of the quantity and range of products to be marketed, represents a risk for the YNAP Group.

- *Risks relating to Legislative Decree 231/2001*

In implementation of the provisions of Legislative Decree 231/2001, the Group companies adopted the Organisational Model of Management and Control and created a Supervisory Body.

Please refer to the Report on Corporate Governance and Ownership Structure for more details regarding this risk.

ADDITIONAL INFORMATION

In accordance with the requirements of IFRS 7, the financial statements as at 31 December 2016 include an analysis of the nature and extent of the risks associated with the 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 explanatory notes for further information.

- *Market risk assuming the form of financial risk related to exchange rate fluctuations and financial risk related to interest rate fluctuations*

The Group operates on many global markets and is exposed to market risks related to fluctuations of exchange rates and interest rates. The exposure to exchange risks is related mainly to the different geographical distribution of the service.

Consistent with its risk management policies, the Group protects itself from risks of exchange rate fluctuations using financial hedging instruments.

The Group is also exposed to the risk of interest rate fluctuations. The Group's exposure to interest rate risk is mainly due to the volatility of financial costs related to debts expressed at a variable rate.

The Group's operational and financial policies are meant to minimise the impact of such risks on the Group's performance by improving economic results and net financial position.

- *Liquidity risk*

Liquidity risk is the Group's risk related to its difficulty to meet obligations associated with financial liabilities.

- *Credit risk with financial counterparties and commercial counterparties*

Credit risk refers to the Group's exposure to potential financial losses resulting from not meeting contractual obligations by commercial and financial counterparties. Exposure to credit risk is limited since payments are cashed at the time of sale or delivery in case of payment upon the receipt of merchandise.

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

Overall, the Group is not facing risks that could potentially prevent the continuation of activity.

INFORMATION CONCERNING MEASURES TO PROTECT PRIVACY

Following the creation of the new Group (YNAP), the requirements for protecting information assets inevitably increased in terms of complexity and variety. Thus, it is appropriate to focus on aspects that were previously non-existent or not considered in order to pursue joint objectives using a shared approach.
Moreover, the increased focus of institutions on an international level, determined also by arising disputes regarding confidentiality and protection of information on a global level, requires the adoption of a more structured and reactive internal vision. In view of this it was necessary to create an area dedicated to analysis and optimised application of compliance in the area of the security of e-commerce transactions and the protection of information, with special attention to the rights of users (both internal and external). This area adopted an approach aimed at adapting protection measures to the regulations of the European Union and of the most exacting countries where possible, and using sound international standards and best practices.

YNAP places the greatest emphasis on ensuring the security of online transactions and protecting its information assets, by using the strictest security systems and standards and by effectively applying applicable regulations. Regarding online transaction guarantees, the Group complies fully with the PCI-DSS international standard and uses the most advanced technological and encoding systems for purchasing. In terms of protection of personal data, the approach of localisation of the protection of end users' rights determines a better experience focused on local perception. Moreover, in order to use big data more efficiently, the Group is planning to establish a Group Data Protection Officer, whose task will be to evaluate and approve the compliance of proposed projects.

Therefore, in order to protect the confidentiality, integrity and availability of information related to clients, employees and partners, the Group commits to the integration and execution of the project of establishing an Information Security Management System based on the ISO/IEC 27001 standard. This framework is meant to guarantee a high level of security by introducing a formal process of Information Risk Analysis based on an internationally recognised methodology and an approach by design. 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 (Deming Cycle), which guarantees a high level of effectiveness and ensures that the challenges that current information systems face relating to the security and privacy of information are constantly dealt with.

HUMAN RESOURCES

The Group encourages the professional development and growth of its people, fully aware of how important they are to the success of the business. The management of people is central to valuing the potential of individuals and creating a harmonious work environment with growth as the goal.
The pursuit of company goals with a view to excellence is related to the ability to work with a team spirit with constant attention to professionalism, passion and motivation.
In a context featuring strong growth also at an international level, the Group is adopting a series of principles for the management of human resources that 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 on the importance of corporate values.

HEADCOUNT

As at 31 December 2016, the Group's total headcount stood at 4,128 employees, an increase of 3,016 net resources compared with 31 December 2015. The table below shows a breakdown of the headcount[32]:

No	31 DEC 2016	31 DEC 2015	CHANGE
MANAGERS	38	33	5
JUNIOR MANAGERS	89	70	19
EMPLOYEES AND TRAINEES	943	817	126
ABROAD	3,058	2,981	77
TOTAL HEADCOUNT	**4,128**	**3,901**	**227**

Approximately 26% of staff are located in the three Italian offices, with the remaining 74% 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.

ASSESSMENT AND DEVELOPMENT OF CAPITAL

In 2016 too, the Group adopted the Performance Evaluation for employees, aimed at promoting the development of its resources and guaranteeing a clear and constant dialogue between managers and co-workers throughout the year.

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

- Evaluation of skills;
- Meeting business objectives (MBO) and meeting Department Targets.

This system provides the Company with objective, shared and transparent input data with which to calculate the variable component of compensation for eligible employees, as well as the most important indicators for starting staff management and development plans

RECRUITMENT AND SELECTION AND TRAINING

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

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

[32] The headcount does not include the Chief Executive Officer of S.p.A., interns or contractors.

The selection process features a first phase dedicated to an aptitude and motivation assessment, as well as a second one focusing more on technical and professional aspects.

Training has always played a very important role for the Group. There were numerous training events in 2015, with various specific targets:

- Induction for newly hired employees: introduction to the new YNAP business model, description of the Company's procedures and structure, on-the-job digital-production training and customer care training, lasting a total of two months;

- Specialist and managerial training courses (English, project management, time management, public speaking, leadership and team management);

- Mandatory training courses on Organisational Model 231, the Code of Conduct, privacy and data security, workplace health and safety, first aid and fire safety.

The Group's commitment to collaboration with the academic world continues. Specifically, relations with the University of Bologna were maintained (in the various faculties and schools), and with the Bocconi University, Bocconi SDA, Polytechnic of Milan and Milan Marangoni Institute, 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.

HEALTH AND SAFETY

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

Already in 2013 the Group adopted the "Environment and Safety" policy, defining the Company approach to the environment and constituting the base of the "Integrated Environmental, Health and Safety Management System" in a programmed way. The Policy identifies the needs of internal and external participants in terms of environment and safety and constitutes the departure point for pursuing measurable improvement objectives.

NON-COMPETITION AGREEMENT

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

ORGANISATIONAL STRUCTURE

In 2016, the organisational structure was analysed and reviewed in order to better support the development of the business lines. All organisational changes were communicated promptly and clearly, in compliance with the instructions in the "Information flows to the Supervisory Body and Organisational Reporting" of the Organisation, Management and Control Model pursuant to Legislative Decree 231/01.

ENVIRONMENT

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

- the rationalisation of the use of resources and the increase in efficiency of energy consumption, with regard to the management of offices, the IT sector and employee mobility;

- recourse to renewable energy sources;

- taking decisions aimed at sustainability in the management of company operations, especially with regard to the choice of packaging materials for products and sharing the best operational solutions with partners for managing shipping;

- raising the awareness of employees and customers with regard to respect for the environment, also through the development of the YOOXYGEN projects incubator.

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

MANAGEMENT APPROACH TO ENVIRONMENTAL ISSUES

YNAP's performance in the management of the major environmental issues is measured and monitored through a dedicated KPI system. The gradual expansion of spaces, the growth in volumes of activities managed, products moved and data centres used are therefore managed by trying to maximise efficiency in the use of resources.
The Environmental Management System according to the UNI EN ISO 14001:2004 standard was confirmed and renewed in 2016 to guarantee a structured approach in the management of environmental issues. YOOX NET-A-PORTER GROUP S.p.A. also extended the certification of the integrated safety and environment management system to the Casalecchio di Reno production unit.
The management of the integrated system and the monitoring of its effectiveness are handled by dedicated in-house personnel working alongside specialist consultants.

THE FIGHT AGAINST CLIMATE CHANGE

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

- increasing the use of renewable energy sources;

- improving efficiency in the management of resources at operational sites, especially through plant design (energy, water, paper and waste);

- improving the efficiency of IT infrastructures at hardware and application level, with a 100% green IT Department supporting business activities;

- improving the mobility of personnel in the Company through solutions which have a reduced impact on the environment;

- monitoring environmental impacts related to the movement and shipping of products and sharing efficiency initiatives with logistics partners;

- supporting initiatives that aim to raise customer awareness regarding respect for the environment, alongside international structures, designers and creative talents under the scope of the YOOXYGEN projects incubator.

YNAP aims to reconcile the business growth with actions intended to guarantee the rationalisation of consumption and energy efficiency. The strategic choice is to adopt an automated logistics platform, upgraded every year, enabling much less energy to be used compared to a traditional logistics structure handling the same volume.

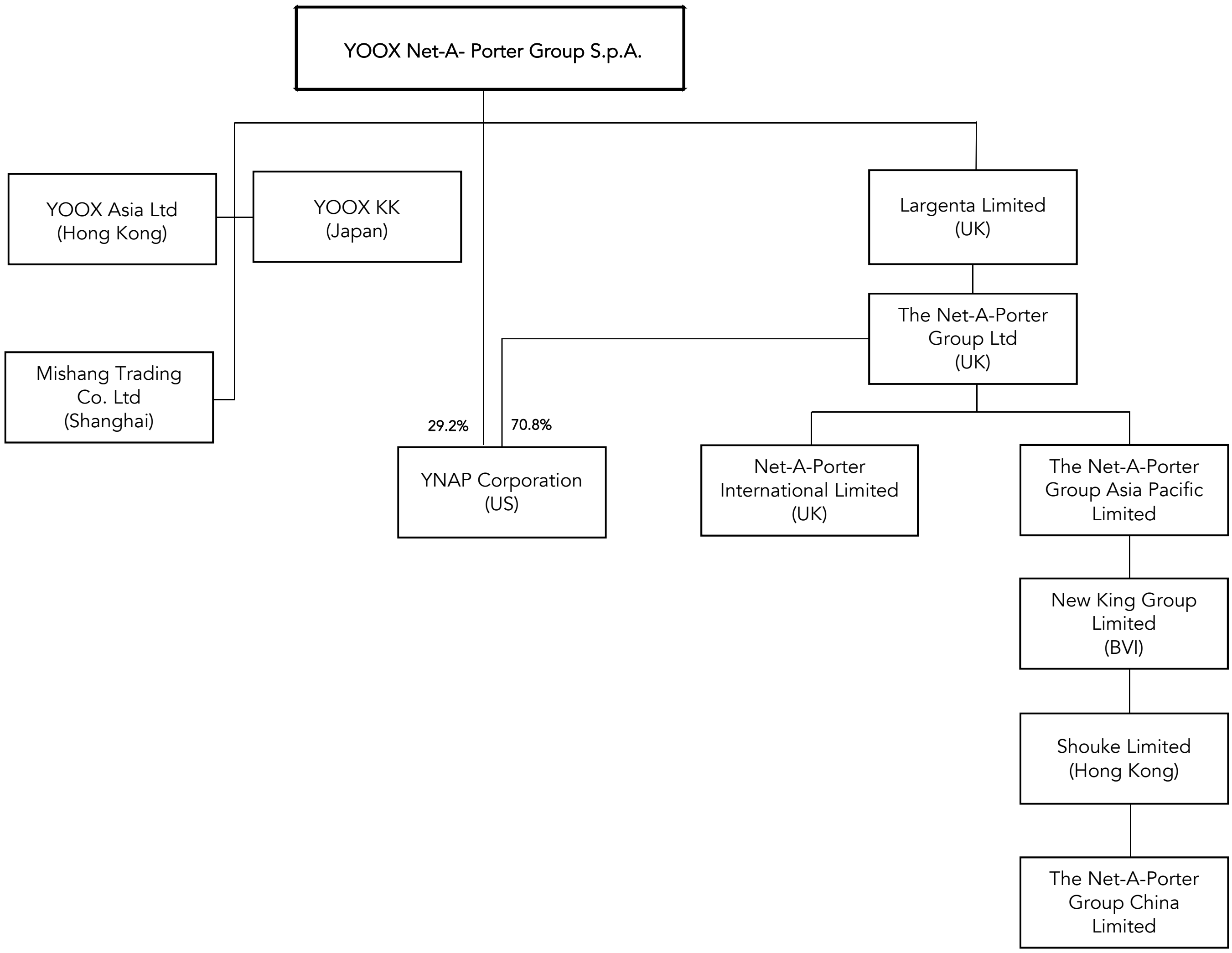
CORPORATE GOVERNANCE

The YOOX NET-A-PORTER GROUP S.p.A. Parent Company corporate governance model is described in detail in the Report on corporate governance and shareholder structure as at 31 December 2016, which should be referred to.
The significant corporate governance events that have taken place in 2016 are listed below.

STREAMLINING OF CORPORATE STRUCTURE

The year's main event was the combination of the operations of YOOX and THE NET-A-PORTER GROUP as a result of the merger, which became effective on 5 October 2015 (the "**Merger**"), of Largenta Italia S.p.A., a specially created vehicle company that on the effective date of the Merger was the indirect holding company of THE NET-A-PORTER GROUP Limited ("**Largenta Italia**"), into YOOX S.p.A., with the concurrent change of the company name of the latter to YOOX NET-A-PORTER GROUP S.p.A. The process of combining these two groups included, among other things, the streamlining of the corporate structure that led to the combination of two Group subsidiaries headquartered in the United States. Specifically, on 1 October 2016, Net-A-Porter LLC, an indirect subsidiary of THE NET-A-PORTER GROUP Limited with registered offices in the State of New York, was merged into YOOX Corporation, a company with registered offices in Delaware that is a wholly owned subsidiary of YOOX NET-A-PORTER GROUP S.p.A. The company resulting from the merger, which changed its name to YNAP Corporation, is currently 70.8% held by THE NET-A-PORTER GROUP Limited and 29.2% held by YOOX NET-A-PORTER GROUP S.p.A.

Below is the Group's structure as at 31 December 2016.



EXCHANGE RATIO

The exchange ratio defined for the merger was: *for every 1 (one) share of Largenta Italia, 1 (one) new-issue YOOX share.*
On 18 June 2015, Baker Tilly Revisa S.p.A., in its capacity as joint expert appointed by the Court of Bologna pursuant to Article 2501-*sexies* of the Italian Civil Code to prepare the report on the consistency of the Exchange Ratio, issued the unqualified "*Independent auditors' report on the exchange ratio of shares pursuant to Article 2501*-sexies *of the Italian Civil Code*". This report is available at the YOOX registered office, on the Issuer's website www.ynap.com.com (Governance/Shareholders' Meeting Section) and from the "eMarket storage" authorised storage mechanism, which may be accessed via the website.

From an operational perspective, activities are now being launched for the integration project in order to take full advantage of identified and potential synergies.

GRANTING OF SHARES FOLLOWING THE EXERCISE OF STOCK OPTIONS

On 9 December 2016, 43,992 YNAP S.p.A. ordinary shares were granted following the exercise of 846 options relating to the 2007-2012 Stock Option Plan at a strike price of Euro 59.17 per option.

As a result of this, the share capital issued by YNAP S.p.A. as at 31 December 2016 was equal to Euro 1,337,413.05 represented by 133,741,305 shares with no nominal value, including 90,835,167 ordinary shares and 42,906,138 B Shares.

As stated in the Subsequent Events section, on 12 January 2017, 78,000 YNAP ordinary shares were granted, following the exercise of 1,500 options whose details are described in the table below:

STOCK OPTION PLANS	*GRANT DATE*	*106.5*	*59.17*	*TOTAL OPTIONS*	*TOTAL POST-SPLIT SHARES*
2003-2005	04/02/2009	1,000		1,000	52,000
2006-2008	03/03/2007		500	500	26,000
TOTAL		**1,000**	**500**	**1,500**	**78,000**

As a result of this, the new share capital issued by YNAP S.p.A. as at the date of this Report, is equal to Euro 1,338,193.05 represented by 133,819,305 shares with no nominal value, including 90,913,167 ordinary shares and 42,906,138 B Shares.

STOCK GRANT PLAN

On 27 April 2012, the Shareholders' Meeting, pursuant to Article 114-*bis* of Legislative Decree 58/1998, approved the establishment of an incentive and loyalty plan known as the Stock Grant Plan for employees of the Issuer and companies directly or indirectly controlled by it, to be implemented by the granting, 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 relative regulations. At the date of this document, it has not yet been implemented.

For more information on the Stock Grant Plan and the relative characteristics, please refer to the prospectus produced pursuant to Article 84-*bis* of the Issuers' Regulation, which can also be consulted on the Company's website www.ynap.com (Corporate Governance/Company Documents Section).

2015-2025 STOCK OPTION PLAN AND GRANTING OF OPTIONS RELATING TO THE 2015-2025 STOCK OPTION PLAN

Pursuant to the 2015-2025 Stock Option Plan, during the year the Company made the following stock grants:

- on 12 April 2016, the granting to 39 beneficiaries of 670,000 options valid for the subscription of 670,000 YNAP ordinary shares;
- on 29 June 2016, the granting to 1 beneficiary of 90,000 options valid for the subscription of 90,000 YNAP ordinary shares at the recommendation of the Compensation Committee;
- on 9 November 2016, the granting to 3 beneficiaries of 124,000 options valid for the subscription of 124,000 YNAP ordinary shares.

For more information regarding the main characteristics of the Plan, please refer to the Board of Directors' Report and Prospectus issued pursuant to Article 84-*bis* of Consob Regulation 11971/1999 (as supplemented on 24 November 2015 and updated on 1 March 2017, available at the registered office and on the Company's website www.ynap.com (Governance Section - Documents, Principles and Procedures - Corporate Documents).

APPLICATION OF THE DISCLOSURE OBLIGATION SIMPLIFICATION SCHEME IN COMPLIANCE WITH CONSOB RESOLUTION 18079 OF 20 JANUARY 2012

Pursuant to Article 3 of Consob Resolution 18079 of 20 January 2012, the Company decided to join the opt-out regime described in Articles 70, paragraph 8, and 71, paragraph 1-bis, of Consob Regulation 11971/99 (as amended), taking advantage of the possibility of exemption from the obligation of the publication of the information documents described in Annex 3B to the aforementioned Consob Regulation on the occasion of significant merger, demerger or capital increase operations through the contribution of assets in kind, acquisitions and sales.

BOARD OF DIRECTORS

The Issuer's Board in office at the date of this Report comprises 11 (eleven) members:

- 7 (seven) members were appointed by the Ordinary Shareholders' Meeting held on 30 April 2015 based on the lists presented (six members taken from list 1 submitted by the outgoing Board of Directors and the remaining members taken from list 2 submitted by a group of institutional investors), in conformity with the provisions of the by-laws in force at that date. The following persons were appointed as Directors based on the two lists presented:

    - Federico Marchetti (Executive Director)
    - Robert Kunze-Concewitz (Lead Independent Director)
    - Raffaello Napoleone (Chairman)
    - Stefano Valerio (Vice-Chairman - Executive Director)
    - Laura Zoni
    - Catherine Gérardin Vautrin
    - Alessandro Foti

    Directors Richard Lepeu and Gary Saage were appointed by the Ordinary Shareholders' Meeting held on 21 July 2015, with effect from the Effective Date of the Merger; and

- 2 (two) further independent directors Eva Chen and Vittorio Radice were appointed by the Ordinary Shareholders' Meeting held on 16 December 2015.

The Board will remain in office until the date of the Shareholders' Meeting called for the approval of the financial statements as at 31 December 2017.

BOARD OF STATUTORY AUDITORS

On 30 April 2015, the Shareholders' Meeting appointed the Board of Statutory Auditors for the three-year period 2015-2017. It is composed of:

- Marco Maria Fumagalli (Chairman)
- Giovanni Naccarato (Standing Auditor)
- Patrizia Arienti (Standing Auditor)
- Andrea Bonechi (Alternate Auditor)
- Nicoletta Maria Colombo (Alternate Auditor)

RESERVED SHARE CAPITAL INCREASE

On 18 April 2016, the Company and Alabbar Enterprises S.à.r.l. ("Alabbar Enterprises") signed a subscription agreement governing the commitment of Alabbar Enterprises to invest in the Company's share capital, through the subscription and payment for newly issued ordinary shares as part of the Company's capital increase to be reserved for subscription by Alabbar Enterprises. Based on this agreement, Alabbar Enterprises also adhered to lock-up commitments. For additional information on the above shareholders' agreements, please see the basic information prepared and published pursuant to Article 122 of the TUF and Article 130 of the Issuers' Regulation available on the Company's website.

On 22 April 2016, in partial execution of the resolution of the extraordinary Shareholders' Meeting of 21 July 2015, Alabbar Enterprises S.à.r.l., a company owned by Mohamed Alabbar, signed an agreement for a capital increase with exclusion of option rights pursuant to Article 2441, paragraph 4, second part, of the Italian Civil Code, through the issue of 3,751,428 ordinary shares at a price of Euro 28.00 per share corresponding to a premium of 5.7% over the closing price on 18 April 2016, for a total amount of Euro 100 million (including share premium).

INCORPORATION OF A JOINT VENTURE

On 28 November 2016, a joint venture agreement was announced with Symphony Investments, a company controlled by Mohamed Alabbar, to create an undisputed leader in luxury e-commerce in the Middle East, through a partnership capable of grasping the huge potential for growth in this area. In line with the provisions of this agreement, on 20 January 2017, YNAP Middle East Holding Limited was incorporated: an English company currently 67% owned by THE NET-A-PORTER GROUP LIMITED and 33% owned by Symphony Global LLC. YNAP Middle East Holding Limited shall therefore be fully consolidated by YNAP.

The joint venture will have *in situ* operational activities, in order to enable YNAP to fully reap the significant potential for growth in this area and, to this end, the incorporation of an operating company based in Dubai is planned. The joint venture will operate in the countries of the Gulf Cooperation Council ("GCC") – United Arab Emirates, Saudi Arabia, Kuwait, Qatar, Bahrain and Oman. In the future, the partnership will have the opportunity to expand its reach to other countries in the Middle East and North Africa. To provide luxury to customers in the Middle East through a fully localised product range, the joint venture will have *in situ* operating activities, in order to enable YNAP to fully grasp the significant potential for growth in this area.

APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

The Ordinary Shareholders' Meeting, convened at a single call on 27 April 2016, approved the separate financial statements for the year ended 31 December 2015, resolving to cover the loss for the year through the partial use of the "Retained earnings and losses reserve" in the amount of Euro 11,350,537.07.

REMUNERATION REPORT

The Shareholders' Meeting of 27 April 2016 approved, with a non-binding vote, Section I of the Remuneration Report prepared pursuant to Article 123-*ter* of Legislative Decree 58/1998 and Article 84-*quater* of Consob Regulation 11971/1999, as well as in accordance with Annex 3A, Tables 7-*bis* and 7-*ter* of the same Regulation.

PURCHASE AND DISPOSAL OF TREASURY SHARES

At their Meeting of 27 April 2016, the shareholders approved the authorisation of the purchase and disposal of treasury shares, in compliance with Articles 2357 and 2357-*ter* of the Italian Civil Code and Article 132 of Legislative Decree 58/1998 and related implementation provisions, revoking the unexecuted portion of the authorisation to purchase treasury shares approved by the Shareholders' Meeting of 30 April 2015.

As at the date of this document, the Company holds 17,339 treasury shares in its portfolio, equal to 0.019% of its current ordinary share capital.

CONVERSION OF B SHARES TO ORDINARY YNAP SHARES

On 5 October 2016, as a result of the exercise by Richemont Holdings (UK) Limited of the option specified in Article 5, paragraph 5 of the Issuer's by-laws to convert B shares into ordinary shares to bring its equity investment up to 25% of voting shares, 1,999,495 ordinary YNAP S.p.A. shares were issued and assigned. Following the conversion, Richemont's equity investment consisted of 22,693,459 ordinary shares and 42,906,138 B shares.

DIRECTORS' APPOINTMENTS COMMITTEE

The Directors' Appointments Committee was established by the Board resolution of 30 April 2015 and currently consists of 3 (three) non-executive independent directors, as indicated below; note that board member Richard Lepeu was appointed on 11 November 2015 pursuant to the provisions of the Shareholders' Agreement (please see paragraph 2 g) above of the Report on Corporate Governance and Ownership Structure contained in this document), and that the committee's composition was later changed on 29 June 2016 following the departure of board member Stefano Valerio.

- Alessandro Foti – Independent Director – Chairman;
- Richard Lepeu – Non-Executive Director;
- Laura Zoni – Independent Director.

COMPENSATION COMMITTEE

The Compensation Committee was established by the Board resolution of 30 April 2015 and currently consists of 3 (three) non-executive independent directors as indicated below; note that the Compensation Committee was established by the Board resolution of 30 April 2015, and that its composition was later changed on 29 June 2016 as a result of the addition of Independent Director Raffaello Napoleone, who replaced Board member Stefano Valerio.

- Robert Kunze-Concewitz – Independent Director - Chairman;
- Catherine Gérardin Vautrin – Independent Director;
- Raffaello Napoleone – Independent Director.

CONTROL AND RISK COMMITTEE

The current Control and Risk Committee was established by the Board resolution of 30 April 2015 and comprises three non-executive directors, all of whom are independent, namely:

- Alessandro Foti – Independent Director – Chairman;
- Catherine Gérardin Vautrin – Independent Director;
- Raffaello Napoleone – Independent Director.

COMMITTEE FOR RELATED-PARTY TRANSACTIONS

The Committee for Related-Party Transactions, appointed at the Board meeting of 30 April 2015, is composed of:

- Catherine Gérardin Vautrin – Independent Director – Chairwoman;
- Robert Kunze-Concewitz – Independent Director;

- Alessandro Foti – Independent Director.

SUPERVISORY BODY PURSUANT TO LEGISLATIVE DECREE 231/2001

The Supervisory Body, in office until the approval of the financial statements as at 31 December 2017, was first appointed by the Board on 30 April 2015 and comprises three members: Rossella Sciolti, an external member, as Chairperson; Isabella Pedroni, an external member; and Matteo James Moroni (nominated by the Board of Directors on 9 March 2016 as a replacement for Riccardo Greghi), an external member and the Head of Internal Audit of the Issuer.

DIRECTOR RESPONSIBLE FOR PREPARING THE FINANCIAL STATEMENTS

The Issuer’s Board of Directors in office on 24 April 2015 appointed Enrico Cavatorta as Chief Financial and Corporate Officer, effective as of 27 April 2015.

As of 1 May 2015, he was also assigned the role of Director responsible for preparing the financial statements, pursuant to Article 154-*bis* of Legislative Decree 58/1998.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

MULTI-BRAND IN-SEASON

The start of the new year saw important additions to the unparalleled portfolio of In-Season brands, with the launch of Alaïa ready-to-wear exclusively on NET-A-PORTER in January 2017, thereby completing the existing offering of footwear, bags and other accessories. In February 2017, the first menswear collection by Stella McCartney was introduced on MR PORTER.
Additionally, following the début in 2016 of the ”T collection” by Tiffany, Tiffany & Co. and NET-A-PORTER - the only online retail partner authorised by Tiffany & Co. Jewellery - expanded the scope of their global cooperation with the collection of Tiffany & Co. Infinity jewellery and watches, available from January 2017.

MULTI-BRAND OFF-SEASON

In line with the strategy of expanding their range of products, in January 2017 THE OUTNET launched The Activewear Boutique, a dedicated section of the online store with a carefully selected range of clothing, accessories and footwear, all accompanied by editorial contents of industry insiders.

ONLINE FLAGSHIP STORES

YOOX NET-A-PORTER GROUP continued with the implementation of the dynamic management strategy of the Mono-brand portfolio aimed at profitability.
The Group further strengthened its omni-channel capacities for its partner brands in order to end users to benefit from an integrated offline and online experience: specifically, the Group is laying the foundations for the launch of the first new generation omni-channel partnership for one of the Group brand partners. In addition, YOOX NET-A-PORTER GROUP continues to release existing omni-channel innovative functionalities to a large number of online flagship stores, including Click from store, Check online in-store availability, Click & collect and Return in store for Moncler.
YOOX NET-A-PORTER GROUP S.p.A. and Diesel S.p.A (part of the OTB group) decided mutually to end the management agreement for the Diesel online store at the end of March and to refocus cooperation between Diesel and YNAP on YOOX.COM. Diesel.com accounted for approximately 1% of the net revenues of YOOX NET-A-PORTER GROUP in 2016.
The partnership between YOOX NET-A-PORTER GROUP and the OTB group - a holding company for many leading brands in the fashion and luxury segment - continues successfully with the management of the online flagship stores of Maison Margiela, Marni and Just Cavalli until 2020/2021.

INTEGRATION UPDATES

In January 2017, in line with expectations, the Group successfully concluded the convergence to a joint software Enterprise Resource Planning ("ERP"), migrating the former THE NET-A-PORTER GROUP to the solution already adopted by the former YOOX GROUP. The joint ERP allows more simple and scalable access to the back-office systems of the entire Group and will be a key element for the implementation of the omni-stock programme.

GRANTING OF SHARES FOLLOWING THE EXERCISE OF STOCK OPTIONS

After the end of the period, on 12 January 2017, 78,000 YNAP S.p.A. ordinary shares were granted, following the exercise of 1,500 options whose details are described in the table below:

STOCK OPTION PLANS	*GRANT DATE*	*106.5*	*59.17*	*TOTAL OPTIONS*	*TOTAL POST-SPLIT SHARES*
2003-2005	04/02/2009	1,000		1,000	52,000
2006-2008	03/03/2007		500	500	26,000
TOTAL		**1,000**	**500**	**1,500**	**78,000**

As a result of this, the new share capital issued by YNAP S.p.A., as at the date of this Report, is equal to Euro 1,338,193.05 represented by 133,819,305 shares with no nominal value, including 90,913,167 ordinary shares and 42,906,138 B Shares.

BUSINESS OUTLOOK

YOOX NET-A-PORTER GROUP expects to achieve an increase in net revenues, in line with its Five-Year Plan and to achieve an improved margin in terms of adjusted EBITDA in 2017: as a leader in the three luxury e-commerce segments in which it operates, the Group is uniquely positioned to best support the entire luxury sector by fully leveraging the digital potential. Specifically, it is expected that the In-Season Multi-brand business line will further enrich its brand portfolio: the launch of new prestigious brands and exclusive capsule collections is specifically expected, major development in the new high-end jewellery and watches category, as is the launch of the MR PORTER private label. In addition, this business line will further enhance its range of products with the aim of increasing user engagement and will improve the luxury service with a specific focus on the highest-spending customer base. It is expected that the Off-Season Multi-brand business line will mainly benefit from the launch of the international expansion of THE OUTNET, the further enrichment in the range of brands and products, including the debut of the YOOX private label, as well as continuous improvements in the service offered. Finally, it is expected that the growth of the Online Flagship Stores business line will benefit from significant progress in its omni-channel range and from major upgrades to the front-end platform, including customisation and enhanced precision marketing abilities. Furthermore, this business line will see additional progress in business development, including the launch of isabelmarant.com. The Group plans to invest between approximately Euro 160 and Euro 170 million in 2017, mainly in technology. These investments will be specifically dedicated to the launch of a new e-commerce platform for THE OUTNET and for selected online flagship stores, as well as to the completion of the omni-stock programme for the Off-Season business, major steps for creating a shared global techno-logistics platform. YOOX NET-A-PORTER GROUP will also make significant progress in developing its operations: specifically, the opening of the new 12 office and new distribution centre in Dubai, new photographic studios and logistics areas for the Interporto logistics centre in Bologna, as well as the continuation of construction works on the In-Season logistics hub in Milan, which will be equipped with an advanced automated Order Storage & Retrieval System. Finally, the Group will further improve its delivery services and return services to set new standards in luxury e-commerce.

YOOX
NET-A-PORTER
GROUP

BOARD OF DIRECTORS' RESOLUTION PROPOSED TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

We would therefore like to make following proposals to you:

- to approve the separate financial statements of YOOX NET-A-PORTER GROUP S.p.A. as at 31 December 2016, which report a net loss of Euro 43,920,817.36 (forty-three million, nine hundred and twenty thousand, eight hundred and seventeen euros and thirty-six euro cents), together with this Directors' Report;

- to increase the legal reserve to up to Euro 267,482.61 (two hundred and sixty-seven thousand, four hundred and eighty-two euros and sixty-one euro cents), equal to 20% of the share capital subscribed and paid up of Euro 1,337,413.05 (one million, three hundred and thirty-seven thousand, four hundred and thirteen euros and five euro cents), applying to the "Retained earnings and losses reserve".

- to cover the loss for the period through the use of the "Retained earnings and losses reserve" by Euro 24,758,739.88 (twenty-four million seven hundred and fifty-eight thousand seven hundred and thirty-nine/88) and the partial use of the "Share premium reserve" by 19,162,077.48 (nineteen million, one hundred and sixty two thousand and seventy seven/48);

We also suggest that you acknowledge that the YNAP Group's consolidated financial statements as at 31 December 2016 show a net profit of Euro 33,930,144.59 (thirty-three million, nine hundred and thirty thousand, one hundred and forty-four euros and fifty-nine euro cents).

Milan, 1 March 2017
For the Board of Directors

Chairman of the Board of Directors
Raffaello Napoleone

ANNEXES TO THE DIRECTORS' REPORT

ANNEX 1: INCENTIVE PLANS AND IMPACT ON THE RECLASSIFIED CONSOLIDATED INCOME STATEMENT

Impact of incentive plans in the second quarter of 2016:

THOUSANDS OF EUROS	2ND HALF OF 2016	% TOTAL	2ND HALF OF 2015	% TOTAL
FULFILMENT COSTS	(92,898)		(86,771)	
of which incentive plans	*(42)*	*0.6%*	*(9)*	*1.8%*
SALES AND MARKETING COSTS	(123,985)		(111,313)	
of which incentive plans	*(714)*	*11.1%*	*(78)*	*16.4%*
GENERAL EXPENSES	(84,560)		(76,949)	
of which incentive plans	*(5,680)*	*88.3%*	*(391)*	*81.8%*
INCENTIVE PLANS TOTAL	(6,436)	*100.0%*	(478)	*100.0%*

Impact of incentive plans in 2016 compared with pro-forma 2015:

THOUSANDS OF EUROS	31 DEC 2016	% TOTAL	31 DEC 2015	% TOTAL
FULFILMENT COSTS	(181,417)		(165,709)	
of which incentive plans	*(59)*	*0.5%*	*(9)*	*0.1%*
SALES AND MARKETING COSTS	(230,775)		(203,546)	
of which incentive plans	*(1,468)*	*11.9%*	*(78)*	*1.2%*
GENERAL EXPENSES	(170,738)		(156,711)	
of which incentive plans	*(10,823)*	*87.6%*	*(6,633)*	*98.7%*
INCENTIVE PLANS TOTAL	(12,351)	*100.0%*	(6,720)	*100.0%*

YOOX
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CONSOLIDATED FINANCIAL STATEMENTS OF YNAP GROUP

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CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016 PREPARED IN COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (1)

CONSOLIDATED INCOME STATEMENT

THOUSANDS OF EUROS	NOTES	31/12/2016	31/12/2015
NET REVENUES	8.1	1,870,660	922,659
COST OF GOODS SOLD	8.2	(1,138,238)	(570,893)
FULFILMENT COSTS	8.3	(194,638)	(94,178)
SALES AND MARKETING COSTS	8.4	(230,779)	(113,365)
GENERAL EXPENSES	8.5	(248,683)	(97,007)
OTHER INCOME AND EXPENSES	8.6	(6,139)	(4,638)
NON-RECURRING EXPENSES	8.7	-	(19,936)
OPERATING PROFIT	8.8	52,183	22,643
RESULT OF EQUITY INVESTMENTS	8.9	371	592
FINANCIAL INCOME	8.10	12,451	12,480
FINANCIAL EXPENSES	8.10	(16,511)	(14,114)
PROFIT BEFORE TAX		48,495	21,601
TAXES	8.11	(14,565)	(4,993)
CONSOLIDATED NET INCOME FOR THE YEAR		33,930	16,608
OF WHICH:			
ATTRIBUTABLE TO THE OWNERS OF THE GROUP		33,930	16,608
BASIC EARNINGS PER SHARE	8.12	0.26	0.21
DILUTED EARNINGS PER SHARE	8.12	0.25	0.21

(1) The financial statements, which were prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication No DEM/6064293 of 28 July 2006, are annexed to the notes to consolidated financial statements as at 31 December 2016.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	31/12/2016	31/12/2015
THOUSANDS OF EUROS			
CONSOLIDATED NET INCOME FOR THE YEAR		33,930	16,608
OTHER COMPONENTS OF COMPREHENSIVE INCOME, NET OF TAX EFFECTS			
FOREIGN CURRENCY TRANSLATION DIFFERENCES	8.23	(245,768)	4,367
PROFIT/(LOSS) FROM CASH FLOW HEDGES	8.23	(431)	(585)
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME WHICH WILL BE (OR COULD BE) RECLASSIFIED IN THE INCOME STATEMENT		(246,199)	3,782
NET CHANGE IN RETAINED EARNINGS AND ACTUARIAL LOSSES RELATING TO EMPLOYEE BENEFITS	8.23	(12)	9
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED IN THE INCOME STATEMENT		(12)	9
TOTAL COMPREHENSIVE NET INCOME FOR THE PERIOD		(212,281)	20,399
OF WHICH:			
ATTRIBUTABLE TO THE OWNERS OF THE GROUP		(212,281)	20,399
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		-	-

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

THOUSANDS OF EUROS	NOTES	31/12/2016	31/12/2015
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	8.13	130,586	111,246
INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	8.14	461,460	66,036
GOODWILL	8.15	1,231,769	1,776,445
EQUITY INTERESTS IN ASSOCIATES	8.16	701	329
DEFERRED TAX ASSETS	8.17	53,043	56,075
OTHER NON-CURRENT FINANCIAL ASSETS	8.18	2,837	3,100
TOTAL NON-CURRENT ASSETS		1,880,397	2,013,232
CURRENT ASSETS			
INVENTORIES	8.19	578,200	531,585
TRADE RECEIVABLES	8.20	32,387	31,292
OTHER CURRENT ASSETS	8.21	48,171	34,790
CASH AND CASH EQUIVALENTS	8.22	155,465	130,340
CURRENT FINANCIAL ASSETS	8.22	66,995	62,954
TOTAL CURRENT ASSETS		881,218	790,962
TOTAL ASSETS		2,761,615	2,804,194
SHAREHOLDERS' EQUITY			
SHARE CAPITAL		1,337	1,301
RESERVES		1,833,826	1,968,222
RETAINED EARNINGS AND LOSSES RESERVE		66,900	50,358
CONSOLIDATED NET INCOME FOR THE YEAR		33,930	16,609
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	8.23	1,935,994	2,036,490
EQUITY ATTRIBUTABLE TO THIRD PARTIES		-	-
TOTAL CONSOLIDATED EQUITY		1,935,994	2,036,490
NON-CURRENT LIABILITIES			
MEDIUM-/-LONG-TERM FINANCIAL LIABILITIES	8.25	98,982	101,219
EMPLOYEE BENEFITS	8.26	153	154
PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	8.28	-	-
DEFERRED TAX LIABILITIES	8.27	77,140	6,924
OTHER MEDIUM-/LONG-TERM PAYABLES	8.31	8,367	7,926
TOTAL NON-CURRENT LIABILITIES		184,643	116,223
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	8.25	17,639	29,450
PROVISIONS FOR RISKS AND CHARGES	9.28	58,748	90,188
TRADE PAYABLES	9.29	399,412	353,259
TAX LIABILITIES	8.30	24,192	29,683
OTHER PAYABLES	8.31	140,988	148,899
TOTAL CURRENT LIABILITIES		640,978	651,480
TOTAL CONSOLIDATED EQUITY AND LIABILITIES		2,761,615	2,804,194

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AS AT 31/12/2016 AND 31/12/2015 – NOTE 8.23

THOUSANDS OF EUROS	*SHARE CAPITAL*	*SHARE PREMIUM RESERVE AND OTHER EQUITY-RELATED RESERVES*	*LEGAL RESERVE*	*TREASURY SHARE ACQUISITION RESERVE*	*CASH FLOW HEDGE RESERVE*	*IAS 19 RESERVE*	*STOCK OPTION RESERVE*	*TRANSLATION RESERVE*	*RETAINED EARNINGS OR LOSSES CARRIED FORWARD*	*CONSOLIDATED NET INCOME*	*SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS*	*TOTAL*
31 DECEMBER 2014	**620**	**85,999**	**193**	**(257)**	**192**	**(56)**	**20,623**	**624**	**36,556**	**13,802**	**-**	**158,294**
SHARE CAPITAL INCREASES	681	15,612	-	-	-	-	-	-	-	-	-	**16,293**
INCREASES IN RESERVES FOR SHARE-BASED PAYMENTS	-	-	-	-	-	-	1,454	-	-	-	-	**1,454**
LARGENTA GROUP MERGER DEFICIT	-	1,840,048	-	-	-	-	-	-	-	-	-	**1,840,048**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	-	-	-	-	(585)	9	-	4,367	-	16,609	-	**20,400**
OTHER CHANGES	-	-	-	95	-	-	(95)	-	13,802	(13,802)	-	**-**
31 DECEMBER 2015	**1,301**	**1,941,658**	**193**	**(162)**	**(393)**	**(47)**	**21,982**	**4,991**	**50,358**	**16,609**	**-**	**2,036,490**
SHARE CAPITAL INCREASES	36	99,964	-	-	-	-	-	-	-	-	-	**100,000**
INCREASES IN RESERVES FOR SHARE-BASED PAYMENTS	-	50	-	-	-	-	12,349	-	-	-	-	**12,398**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	-	-	-	-	(431)	(12)	-	(245,768)	-	33,930	-	**(212,281)**
OTHER CHANGES	-	(614)	67	-	-	-	-	-	16,542	(16,609)	-	**(614)**
31 DECEMBER 2016	**1,337**	**2,041,058**	**260**	**(162)**	**(824)**	**(60)**	**34,331**	**(240,777)**	**66,900**	**33,930**	**-**	**1,935,994**

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CONSOLIDATED STATEMENT OF CASH FLOWS

THOUSANDS OF EUROS	NOTES	31/12/2016	31/12/2015
CONSOLIDATED NET INCOME FOR THE YEAR	8.32	33,930	16,609
ADJUSTMENTS FOR:			
TAXES FOR THE FISCAL YEAR	8.32	14,565	4,993
FINANCIAL EXPENSES DURING THE FISCAL YEAR	8.33	16,511	14,114
FINANCIAL INCOME DURING THE FISCAL YEAR	8.33	(12,451)	(12,480)
SHARE OF EARNINGS FROM ASSOCIATES	8.33	(371)	(592)
AMORTISATION AND IMPAIRMENT LOSSES FOR THE FISCAL YEAR	8.33	91,169	36,440
FAIR VALUE ADJUSTMENT OF STOCK OPTION PLANS	8.33	12,349	1,454
UNREALISED EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	8.33	(3,011)	4,367
LOSSES/(GAINS) ON SALE OF NON-CURRENT ASSETS	8.33	123	85
PROVISIONS FOR EMPLOYEE BENEFITS	8.33	60	60
PROVISIONS FOR RISKS AND CHARGES	8.33	1,502	685
PAYMENT OF EMPLOYEE BENEFITS	8.33	(61)	(70)
USE OF PROVISIONS FOR RISKS AND CHARGES	8.33	(32,943)	(457)
CHANGES IN INVENTORIES	8.34	(46,615)	(78,428)
CHANGES IN TRADE RECEIVABLES	8.34	(1,095)	(4,331)
CHANGES IN TRADE PAYABLES	8.34	46,152	48,438
CHANGES IN OTHER CURRENT ASSETS AND LIABILITIES	8.35	(24,294)	43,175
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		95,520	74,062
INCOME TAX PAID	8.32	(15,229)	(17,357)
INTEREST AND OTHER FINANCIAL EXPENSES PAID	8.33	(16,511)	(14,114)
INTEREST AND OTHER FINANCIAL INCOME RECEIVED	8.33	12,451	12,480
CASH FROM (USED IN) OPERATING ACTIVITIES		76,231	55,071
INVESTING ACTIVITIES			
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	8.36	(43,498)	(21,124)
ACQUISITION OF INTANGIBLE ASSETS	8.37	(85,449)	(39,458)
ACQUISITION OF EQUITY INVESTMENTS	8.38	-	-
ACQUISITION OF OTHER NON-CURRENT FINANCIAL ASSETS	8.39	262	(181)
ACQUISITION OF SUBSIDIARIES, NET OF CASH AND CASH EQUIVALENTS		-	(48)
CASH FROM (USED IN) INVESTING ACTIVITIES		(128,685)	(60,811)
FINANCING ACTIVITIES			
NEW SHORT-TERM LIABILITIES	8.42	82	6,848
REPAYMENT OF SHORT-TERM LIABILITIES	8.42	(11,730)	(10,901)
NEW MEDIUM-/LONG-TERM FINANCIAL LIABILITIES	8.41	75,000	49,420
REPAYMENT OF MEDIUM-/LONG-TERM FINANCIAL LIABILITIES	8.41	(81,919)	(13,214)
PAYMENT FOR SHARE CAPITAL INCREASE AND SHARE PREMIUM RESERVE	8.40	100,186	15,637
INVESTMENTS IN FINANCIAL ASSETS		(4,040)	(29,738)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		77,579	18,052
TOTAL CASH FLOW FOR THE FISCAL YEAR		25,125	12,312
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	8.22	130,340	118,028
CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR	8.22	155,465	130,340
TOTAL CASH FLOW FOR THE FISCAL YEAR		25,125	12,312

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

1. GENERAL INFORMATION ABOUT THE GROUP

YOOX NET-A-PORTER GROUP S.p.A. (hereinafter the "Company" or the "Parent Company") is a joint stock company with its registered office at Via Morimondo 17, Milan, Italy.

Following the merger on 5 October 2015, described below, between YOOX S.p.A. and Largenta Italia S.p.A., the indirect parent of THE NET-A-PORTER GROUP, the YOOX NET-A-PORTER GROUP (hereinafter the "Group"), in addition to the Parent Company, comprises the UK company THE NET-A-PORTER GROUP Ltd, the US firm YNAP Corporation to manage sales in North America, the Japanese company YOOX Japan to manage sales in Japan, Mishang Trading (Shanghai) Co. Ltd and NAP Group China Ltd to manage sales in China, YOOX Asia Limited and NAP Group Asia Pacific Ltd to manage sales in Asia-Pacific, and the holding companies Largenta Ltd, NAP International Ltd and Shouke Ltd.

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

2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

The consolidated financial statements as at 31 December 2016 were approved by the Board of Directors on 1 March 2017. 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 CONSOLIDATED FINANCIAL STATEMENTS

YOOX NET-A-PORTER GROUP S.p.A. prepared the financial statements as at 31 December 2016 in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The acronym IFRS also includes all the interpretations of International Financial Reporting Standards Committee (IFRIC), formerly the Standing Interpretations Committee (SIC). The consolidated financial statements as at 31 December 2016 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. 38/2005 and other Consob rules and regulations concerning financial statements. The consolidated financial statements as at 31 December 2016 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, the statement of cash flows and the statement of changes in equity, as well as the notes thereto.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Consob Resolution 15519 of 27 July 2006 and Communication No DEM/6064293 of 28 July 2006 relating to financial statements, specific income statements, statements of financial position and statements of cash flows have been included showing significant relationships with related parties, in order to improve readability.

As indicated above, the consolidated financial statements as at 31 December 2016 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 shareholders' 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 shareholders' equity

The statement of changes in shareholders' equity reports the profit or loss for the year, including each item of revenue or cost, income or expense which, as required by 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 owners of the Parent Company and any portion pertaining to non-controlling interests; the effect on each item of equity of changes to accounting standards and corrections of errors as required by the accounting treatment set out in IAS 8; and the balance of profit or loss carried forward at the start of the year and at the reporting date, together with the changes during the year.

The notes to the financial statements also present the amounts deriving from transactions with shareholders and 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.

The consolidated financial statement shows a comparison with the previous year's figures. Where necessary, in the event of changes to accounting standards or measurement or classification criteria, the comparative data are restated and reclassified to provide uniform and consistent information.

4. SCOPE OF CONSOLIDATION

The consolidated financial statements as at 31 December 2016 include the financial statements of the Parent Company YOOX NET-A-PORTER GROUP S.p.A. and of the subsidiaries. A parent is deemed to have control when it is exposed to variable returns resulting from the equity investment and it has the power to influence the returns of the investee company or the right to manage the core business of said company. Subsidiaries of immaterial size and those where the actual exercising of voting rights is subject to major long-term restrictions are excluded from the scope of consolidation and valued at cost.

The scope of consolidation as at 31 December 2016 therefore comprises the following subsidiaries of YOOX NET-A-PORTER GROUP S.p.A.:

COMPANY	*REGISTERED OFFICES*	*SHARE CAPITAL AS AT 31 DEC 2016 (THOUSANDS OF EUROS)*	*PERCENTAGE HELD AS AT 31 DEC 2016*	
			DIRECT	*INDIRECT*
THE PARENT COMPANY, YOOX NET-A-PORTER GROUP S.P.A.	VIA MORIMONDO 17 – 20143 MILAN – MI, ITALY			-
LARGENTA LIMITED	15 HILL STREET, LONDON – UK	480,016	100%	
NET-A-PORTER GROUP LTD	THE VILLAGE OFFICES, WESTFIELD, ARIEL WAY, LONDON – UK	46,727		100%
NAP INTERNATIONAL LTD	THE VILLAGE OFFICES, WESTFIELD, ARIEL WAY, LONDON - UK	1		100%
YNAP CORPORATION	100 FIFTH AVENUE, 12TH FLOOR, NEW YORK, NY, 10011	42,691	29.8%	70.2%
NAP GROUP ASIA PACIFIC LTD	28 HENNESY ROAD, LEVEL 27, WAN CHI - HONG KONG	24,587		100%
SHOUKE LTD	28 HENNESY ROAD, LEVEL 27, WAN CHI - HONG KONG	1,284		100%
NAP GROUP CHINA LTD	SUITES B2, B3, C1, C3, 31ST FLOOR, 789 ZHAOJIABANG ROAD XUHUI DISTRICT, SHANGHAI – CHINA	5,497		100%
YOOX JAPAN	4F OAK OMOTESANDO, 3-6-1 KITA-AOYAMA, MINATO-KU TOKYO 107-0061	75	100%	
MISHANG TRADING (SHANGHAI) CO. LTD	FLOOR 6, DONGLONG BUILDING NO. 223 XIKANG ROAD, JING-'AN DISTRICT 200040 SHANGHAI	6,000	100%	
YOOX ASIA LIMITED	UNIT 2702 27/F THE CENTRUM, 60 WYNDHAM STREET CENTRAL, HONG KONG (CN)	91	100%	

As at the date of this report, the following companies were also part of the YOOX NET-A-PORTER GROUP: Mister Porter Limited (UK), MR Porter Limited (UK), MR Porter Apothecary Limited (UK), New King Group Ltd (BVI) and THEOUTNET Limited. At the closing date, these were immaterial non-operating companies.

As at 31 December 2016, there were no changes in the scope of consolidation as compared with 31 December 2015, except for the impact of the merger during the year between the two US companies of the Group (paragraph 8.8 of the document).

5 PROCESSING OF COMPANY INFORMATION

5.1 PRINCIPLES OF PREPARATION

The consolidated financial statements are presented in euros and balances in the financial statements and in the notes to the financial statements are expressed in thousands of euros, 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 uniformly to all Group companies. Financial transactions are recognised according to the trade date.

The accounting policies adopted for the preparation of the consolidated financial statements as at 31 December 2016 were applied in the same way for all periods presented for comparison.

5.2 USE OF ESTIMATES IN PREPARING THE FINANCIAL STATEMENTS

In order to prepare the financial statements and related notes, the management is required to use estimates and assumptions that 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 impairment expected by the Group, calculated both on the basis of experience and on anticipated market performance, also considering specific steps taken by the Company. The current economic and financial crisis could lead to a further deterioration in market conditions, in addition to that taken into consideration in setting the provisions entered in the financial statements.

Recoverable value of non-current assets and goodwill

Non-current assets include property, plant and equipment, intangible assets including goodwill 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. Goodwill, intangible assets with a finite useful life and development costs in progress were revised at least annually by means of impairment tests. 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:

- For the purpose of preparing the consolidated financial statements as at 31 December 2016 and, more specifically, the impairment tests carried out on property, plant and equipment and intangible assets, the Group considered data from the Group's 2017-2020 financial business plan. There was no need for impairment based on these forecasts.

- In the event of a further worsening of the assumptions forming the basis for the forecasts, the following should be noted: in terms of the Group's property, plant and equipment and intangible assets with finite useful life (essentially development costs), the forecasts refer to recent applications/platforms with highly technological content, which makes them competitive in the current economic climate. It is therefore thought highly likely 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 identified timeframe.

Defined benefit plans

The Parent Company provides Group company 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 Group's actuarial advisors also make use of subjective factors, such as mortality and resignation rates. However, further significant changes in corporate bond 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

The Group is subject to taxation in many countries and some estimates are required to calculate tax in each jurisdiction. The Group recognises deferred tax assets up to the value at which it believes recovery to be likely in future years and on a time line that is consistent with the implicit time horizon used in management estimates.

Contingent liabilities

The Group is involved in legal and tax 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.

5.3 CRITERIA FOR CONSOLIDATION

The Group's consolidated financial statements comprise the Parent Company's financial statements and those of the subsidiaries in which the Parent Company directly or indirectly holds the majority of voting rights and over which it exercises control, or from which it can make gains owing to its capacity to dictate financial and operating policy.

The financial statements of the consolidated subsidiaries are prepared using the same time frame of reference and the same accounting principles as the Parent Company.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group takes control until this control ceases to exist. If the Group loses control of a subsidiary, the consolidated financial statements include the result of said subsidiary in proportion to the period in which the Group still had control. Any share of equity and reserves attributable to non-controlling interests in the subsidiaries and the share of the consolidated subsidiaries' profit or loss for the year attributable to non-controlling interests are recorded separately in the consolidated statement of financial position and income statement. Changes in equity interests in subsidiaries that do not result in loss of control or increase the controlling stake are recorded among changes in equity.

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

Equity interests in associates and joint ventures

Associates are those companies in which the Group has a considerable influence, but not control over their management or the power to decide financial and operating policies and gain benefit from the activity of these companies. Associates tend to be those companies in which the Group directly or indirectly holds 20%-50% of share capital or voting rights, including potential voting rights that can be exercised or converted.

Associates are accounted for using the equity method and initially recognised at cost. If the Group's share of the associates' losses should exceed the carrying amount of the equity investment in said associate, the value of the investment is written off and the share of additional losses is recorded in the appropriate provisions insofar as the Group is obliged to cover its associates' losses or fulfil obligations on its behalf. Unrealised profits and losses arising from transactions with associates are eliminated based on the equity interest 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 shareholders' equity and profit (loss) attributable to non-controlling interests are determined according to voting rights held, excluding potential voting rights. Any positive differences resulting from the elimination of investments against the amount of shareholders' 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 shareholders' 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

Assets and liabilities of foreign operations, including goodwill and fair value adjustments resulting from the acquisition, were converted into Euros using the exchange rate recorded as at year-end. Revenues and costs of foreign operations were converted into Euros using the exchange rate applicable as at the date of the transactions.
Exchange rate differences were recorded between the items are recorded in the income statement and were included in the translation reserve.

Financial statements of foreign operations

Assets and liabilities from foreign operations are translated into euros using the spot exchange rate on the reporting date. For practical reasons, revenues and costs from foreign operations are translated into euros 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.

The exchange rate differences arising from the translation are recorded directly in 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 the translation of cash receivables or payables for foreign operations, the receipt or payment of which is neither planned nor likely in the foreseeable future, are viewed as part of net investment in foreign operations and are booked directly under shareholders' equity in the above reserve.

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

The following table shows the exchange rates used as at 31 December 2016 and 31 December 2015 for the translation of items in the income statement and statement of financial position denominated in foreign currencies (source: www.bancaditalia.it).

	EXCHANGE RATE AS AT 31/12/2016	AVERAGE EXCHANGE RATE FOR 2016
USD	1.0541	1.1069
JPY	123.40	120.20
CNY	7.3202	7.3522
HKD	8.1751	8.5922
GBP	0.8562	0.8195
RUB	64.300	74.145
AUD	1.4596	1.4883
CAD	1.4188	1.4569
KRW	1,269.4	1,284.2

	EXCHANGE RATE AS AT 31/12/2015	AVERAGE EXCHANGE RATE FOR 2015
USD	1.0887	1.1095
JPY	131.07	134.31
CNY	7.0608	6.9733
HKD	8.4376	8.6014
GBP	0.7340	0.7259
RUB	80.674	68.072
AUD	1.4897	1.4777
CAD	1.5116	1.4186
KRW	1,280.8	1,256.5

The foreign currencies are reported against euro units.

Business combinations

The Group accounts for business combinations by applying the acquisition method as at the date on which it effectively takes control. The amount transferred and the identifiable net assets acquired are usually recorded at fair value. The book value of any goodwill is subjected to annual impairment tests. Any profits arising from a purchase at a favourable price are immediately recognised in profit for the year, while related costs (other than those arising from the issue of debt securities or equity instruments) are recognised as expenses in the year in which they were incurred.
The amount transferred does not include sums relating to the termination of a previous relationship. These amounts are usually recognised in profit for the year.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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 IFRS, changes in the fair value of these instruments are booked in the income statement as financial income and/or expense.

Therefore, 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.

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

When a derivative financial instrument is designated as an instrument for hedging the exposure to variations in cash flows, the effective portion of changes in the fair value of cash flow hedging derivatives is recognised among other items of comprehensive income and presented in the cash flow hedge reserve. The ineffective portion of changes in the fair value of the financial derivative is recognised immediately in profit (loss) for the year.

The cumulative amount in equity is retained among other items of comprehensive income and reclassified to profit (loss) for the same year or the years in which the anticipated flows or elements being hedged produce an effect on the income statement.

Hedge accounting is terminated in advance if it is no longer expected that the scheduled transaction will take place, the hedge no longer meets the necessary criteria for such accounting, the hedging instrument expires or is sold, transferred or exercised, or the designation is withdrawn. If it is no longer expected that the scheduled transaction will take place, the cumulative amount recorded in equity is immediately reclassified under profit/(loss) for the year.

5.4 ACCOUNTING STANDARDS ADOPTED

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 leases

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 liabilities.

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 plants	15%
specific plants	9%
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. Note that during the year the useful lives of specific plants were reviewed, which went from a depreciation rate of 15% to 9%. We specifically highlight that the accounting category Plant and Equipment was almost exclusively composed of Specific Plants related to automation (*Automated Warehouses* and *Digital Production* Equipment) subject to audit.

Intangible assets

Goodwill

Purchases of companies are accounted for using the acquisition method, to which end the identified assets acquired and liabilities assumed are recognised at their fair value as at the date of acquisition. The acquisition cost is the sum of the fair values on the exchange date, the assets allocated, the liabilities assumed and any equity instruments issued by the Group in exchange for control of the acquiree.
Goodwill is booked as the positive difference between the acquisition cost and the fair value of these assets acquired and liabilities assumed.
On the acquisition date, the goodwill is allocated to each cash-generating unit (CGU) that is likely to benefit from synergies resulting from the business combination.
If there is a negative difference between the acquisition cost (including the elements mentioned above) and the fair value of the assets acquired and liabilities assumed, this difference is recorded as income in the income statement for the year in which the acquisition took place.
Any goodwill pertaining to non-controlling interests is included in the carrying amount of the equity investments relating to these companies.
After initial recognition, goodwill is not amortised and is reduced by any cumulative impairment, calculated using the methods described in the section "Asset impairment losses and reversals".

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 capitalised only if the cost attributable to the asset during its development can be reliably measured, the product or process is technically and commercially feasible, there are likely future economic benefits and the Group intends and is able to complete the asset and either use it or sell it.
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 expenses

Subsequent expenses are capitalised only when they increase the anticipated future economic benefits attributable to the asset to which they refer. All other subsequent expenses are entered in the income statement in 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, beginning when the asset is available for use. The appropriate economic and technical lives of these items are as follows:

Development costs	30%
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. Note that during the year the useful life of Development Costs was reviewed, which went from 33% to 30%.

Investments in associates

Associates are those companies in which the Group has a considerable influence, but not control of their management or the power to decide financial and operating policies and gain benefit from the activity of these companies. Associates tend to be those companies in which the Group directly or indirectly holds 20%-50% of share capital or voting rights, including potential voting rights that can be exercised or converted.

Associates are valued at equity for as long as the Group has considerable influence over their operations. If the Group's share of the associates' losses should exceed the carrying amount of the equity investment in said associate, the value of the investment is written off and the share of additional losses is recorded in the appropriate provisions insofar as the Group is obliged to cover its associates' losses or fulfil obligations on its behalf.

Other non-current financial assets

This category includes guarantee deposits that are expected to be settled in more than 12 months.

The initial measurement of non-current financial assets is based on fair value as at the trade date (i.e. the acquisition cost), net of transaction costs directly attributable to the acquisition.

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

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

At each reporting date, it is determined whether there is objective evidence that any of the non-current financial assets have undergone an impairment loss.

If there is objective evidence of an impairment loss, the amount of that loss is measured as the difference between the carrying amount of the investment held to maturity 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 recognised immediately in the income statement.

If in a subsequent financial year the amount of the impairment loss decreases and that decrease is linked to an event subsequent to the recognition of the impairment loss, the loss is reversed and the relative write-back is recognised in the income statement.

Current financial assets

Current financial assets and securities held to maturity are accounted for on the basis of the settlement date and, for their first-time recognition in the financial statements, they are measured at acquisition cost, inclusive of accessory transaction costs.
Subsequent to initial recognition, financial instruments available for sale and held for trading are measured at 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 acquisition 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.
Assessments are carried out regularly to verify whether there is objective evidence that a financial asset or a group of assets may be impaired. If this objective evidence is identified, the impairment loss is recognised as a cost in the income statement for the period.

Inventories

Inventories are measured at the lower of acquisition and/or production cost and the net realisable value on the basis of market trends, taking into account the relative accessory sales costs. The cost of inventories, determined in accordance with the average cost method by product category, includes acquisition costs and the costs incurred to bring inventories to their current location and conditions.

In order to adequately represent the value of inventories in the financial statements and to consider impairment losses deriving from obsolete material and low turnover, a provision for obsolescence has been recognised, as a direct deduction of the value of the inventories.

Trade receivables and other receivables

Trade and other receivables, generally maturing in less than one year, are recognised at the fair value of the initial payment increased by transaction costs. They are subsequently measured at amortised cost, adjusted to reflect any losses due to impairment, determined as the difference between the carrying amount and the value of estimated future cash flows. If the impairment loss decreases in a subsequent fiscal year, the previously recognised loss is partially or fully reversed and the value of the receivable is restored to a value that does not exceed the amortised cost that would have been recognised had there been no loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank and postal accounts and equivalents that may be liquidated in an extremely brief period of time (three months), which are recognised at nominal value and the spot exchange rate at year-end, if in foreign currency, corresponding to the fair value.

Asset impairment losses and reversals

At least once a year, the Company checks that the carrying amount of intangible assets with a finite useful life and property, plant and equipment can be recovered in order to determine whether there are any signs that such assets have been impaired. If such evidence exists, the carrying amount of the assets is reduced to their recoverable value.

Intangible assets with an indefinite useful life are subjected to impairment tests at least once a year, or whenever there are signs of impairment.

If this indication is identified, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Intangible assets not yet available for use are tested for impairment every year, or more frequently whenever there is an indication that the asset may have undergone an impairment loss.

If it is not possible to estimate the recoverable value of a single asset, the Group estimates the recoverable value of the cash generating unit (CGU) to which the asset belongs.

If this test brings to light any impairment in the assets recognised or in a cash generating unit (CGU), the recoverable amount is estimated and the part of the carrying amount exceeding the recoverable amount is allocated to the income statement. The impairment loss of a CGU is first allocated to goodwill, if any, and subsequently recognised as a reduction in the value of other assets.

The recoverable amount of an asset or a CGU is determined by discounting cash flow projections relating to the asset or the CGU. The discounting rate used is the cost of capital based on the specific risks of the asset or the CGU. The recoverable value of receivables recorded at amortised cost is the present value of future cash flows discounted using the effective interest rate calculated on initial recognition. The recoverable amount of other assets is the higher of the sale price and the value in use, determined by discounting the estimated future cash flows based on a rate that reflects market valuations.

Any impairment losses of receivables measured at amortised cost are reversed if a subsequent increase in the recoverable amount may be objectively determined.

When a loss on assets other than goodwill is subsequently eliminated or reduced, the carrying amount of the asset or the CGU is increased up to the new estimate of the recoverable amount, although it may not exceed the value that would have been determined if no impairment had been recognised. The write-back of a loss is recognised immediately in the income statement.

Share capital and other shareholders' equity items

YNAP S.p.A.'s share capital of Euro 1,337,413.05 comprises 90,835,167 ordinary shares and 42,906,138 B shares (without voting rights).

The cost of issuing new shares or options is recorded under shareholders' equity, net of the related tax benefit, as a deduction from the income arising from the issue of such instruments.

Pursuant to IAS 32, any equity instruments that are bought back (treasury shares) are deducted directly from equity under the item "Other reserves". No profit or loss is recognised in the income statement at the time of the acquisition, sale or cancellation of treasury shares.

The amount paid or received, including any other cost incurred that is directly attributable to the capital transaction, net of any associated tax benefit, is recognised as a change in shareholders' equity.

Any dividends recognised to shareholders are recognised as liabilities in the period in which they are decided upon.

Financial liabilities

Financial liabilities are initially recognised at fair value net of accessory costs and, subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The difference between the amortised cost and the repayment value is allocated to the income statement in relation to the duration of the liability based on interest accrued. When hedge accounting is applicable, financial liabilities hedged by derivatives are measured consistently with the hedging instrument.

Employee benefits

The Italian company's severance indemnity is considered to be a defined-benefit plan under IAS 19. The benefits guaranteed to employees, in the form of severance indemnity disbursed at the time of termination of employment, are recognised at the expected future value of the benefits that employees will receive and which have accrued during the year and in previous years. The benefits are discounted and the liability is recognised net of the fair value of any assets used for pension plans. These net obligations are calculated separately for each plan on the basis of actuarial assumptions, and they are valued at least once a year with the support of an independent actuary, using the projected unit credit method.

As of 1 January 2013, it is no longer an option to defer the recognition of actuarial gains and losses using the corridor method, which means that the entire fund deficit or surplus needs to be recognised in the statement of financial position, and the cost components linked to the work provided and net financial expenses should be recognised separately in the income statement, while actuarial gains and losses deriving from the remeasurement of the liabilities and assets each fiscal year are recognised in "Other comprehensive income/(loss)".

Transactions with share-based payments

The YNAP Group awards additional benefits to some directors, managers, office workers, consultants and other employees through stock option plans. Pursuant to IFRS 2 – Share-Based Payments, these benefits are deemed to be equity-settlement transactions, meaning that the full current amount of the stock options as at the grant date is recorded as a cost on the income statement. Changes in present value subsequent to the grant date have no effect on the initial measurement. The cost for remuneration, corresponding to the present value of stock options at the grant date, is recognised under personnel expenses on a straight-line basis during the period between the grant date and the vesting date, with a matching entry recognised in shareholders' equity.

Provisions for risks and charges

Provisions for risks and charges are recognised against expenses for legal or implied (contractual or other) Group obligations arising from a past event. Provisions for risks and charges are recognised if it is likely that the use of resources will be necessary to meet the obligation and if it is possible to reliably estimate the obligation. An implied obligation is defined as an obligation that arises when the Group has notified other parties, via established practices, public corporate policies 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 in more than 12 months and the relative effects are significant, they are discounted at a rate that takes into account the cost of money and the specific risk of the liability recognised. Any change in the estimate of provisions is reflected in the income statement in the period in which it takes place. If discounting is applied, the increase in the provision due to the passing of time and any effect deriving from changes in the discounting rate is recognised as a financial expense.

Trade payables and other payables

Trade and other payables, due within normal commercial terms, typically less than one year, are recognised at the fair value of the initial payment increased by transaction costs. After initial recognition, they are measured at amortised cost, with any differences recognised in the income statement over the duration of the liability in compliance with the effective interest method. Trade and other payables generally have a duration of less than one year and, therefore, are not discounted.

Revenues and income

Sales

Revenues from sales are measured at the fair value of the payment received or due, taking into account the value of any returns, allowances, trade discounts and quantity-related premiums. Revenues are recognised when the significant risks and benefits associated with asset ownership are transferred to the purchaser, when the payment is likely to be recovered, the relative costs or any return of goods may be estimated reliably and if the management stops exercising the continuous level of activity usually associated with the ownership of the good sold.

Risks and benefits are typically transferred at the time of shipment to the customer, i.e. the moment the goods are handed over to the courier.

Services

Revenues from the provision of services are recognised in the income statement based on service progress at the reporting date. Progress is evaluated based on measurements of the work carried out.

Commissions

When the Group acts as a commercial intermediary and not the principal in a transaction, the recorded revenue is the net amount of the Group's commission.

Dividends

Dividends receivable are recognised as income in the income statement at the date of approval by the Shareholders' Meeting of the distributing company. On the other hand, dividends payable are recognised as changes in shareholders' equity in the fiscal year in which they are approved by the Shareholders' Meeting.

Cost of goods sold

The cost of goods sold is the total cost incurred by the Group to sell all goods with which it recognises sales revenue, net of changes in inventories of finished products. Therefore, the cost of goods sold includes costs to purchase goods plus direct and indirect, internal and external accessory costs, including transport costs and import and export duties. Costs incurred for transport relating to sales are included in the cost of goods sold as they are directly correlated with sales revenues. Costs for the purchase of goods for resale are measured at the fair value of the amount paid or agreed upon. In general, the amount of costs to purchase goods for resale therefore consists of cash or cash equivalents paid or to be paid in the future, within normal collection terms. On this basis, costs for the purchase of goods for resale are recognised based on prices for the acquisition of the goods reported on the invoice, net of premiums, discounts and allowances.

The cost of acquiring goods can be adjusted to take account of any discounts on top of those stipulated in the contract and any payment extensions beyond 12 months which may be considered a financing transaction between the supplier and the Group. In this last case, the present value of costs for the purchase of goods is represented by the future cash flow capitalised at a market interest rate. Likewise, when additional discounts are applied for early cash payments with respect to the payment terms agreed upon in the contract or on the invoice, the present value of costs for the purchase of goods is recognised gross of that additional discount, which is reported under interest income.

The change in inventories of goods shows the difference between opening inventories (or closing inventories from the previous period) and closing inventories for the reference accounting period.

In addition, the cost of goods sold also includes costs correlated with revenues from providing assistance for the construction/maintenance of online stores, invoiced to the strategic partners of the online stores in the mono-brand business line.

Fulfilment costs

This refers to costs incurred for:

- digital production, cataloguing and quality control: this item includes costs incurred for the “cataloguing” of goods acquired, or for labelling, classifying and storing them in the warehouse. These include costs of employed personnel, insurance, consulting services and the acquisition of consumables. It also includes part of the costs for the depreciation of assets involved in the process, the cost for renting vehicles and other expenses that may be directly allocated to the departments involved in the process;

- logistics: this item includes internal goods handling and packaging costs, or costs for logistics management at the warehouse and the relative consulting services, as well as a portion of the depreciation and amortisation of tangible and intangible assets, and the cost incurred for the remuneration of employees working directly in that area;

- customer services: these costs include all expenses for the management of customer care, i.e. the costs of the call centre and telephone and emailing services made available to customers, costs for personnel, and the depreciation and amortisation of the relative tangible and intangible assets.

Sales and marketing costs and general and administrative expenses

Expenses relating to the items specified are measured at the fair value of the amounts paid or agreed upon.

In general, the amount of these costs consists of cash or cash equivalents to be paid in the future, within normal collection terms. On this basis, the costs are recognised based on the prices for the services reported on the invoice, net of premiums and discounts.

These costs are adjusted in the case of discounts on top of those stipulated in the contract and any payment extensions beyond 12 months that may be considered a financing transaction between the supplier and the Group.

In this last case, the present value of costs for services is represented by the future cash flow capitalised at a market interest rate.

When additional discounts are applied for early cash payments with respect to the collection terms agreed upon in the contract or on the invoice, the present value of costs for services is recognised gross of that additional discount, which is reported under interest income.

The cost is recognised on an accrual basis, i.e. based on the stage of completion of the service provided at the reporting date.

The costs that the Group expects to incur in a particular year, even if it cannot specify an exact amount, are charged to the income statement based on reasonable estimates.

Rental and operating lease payments

Rental and operating lease payments are recognised in the income statement on an accrual basis, or when the economic benefits of the assets rented or leased are recognised. If the economic benefits are lower than mandatory minimum expenses, categorised as contracts for consideration, the costs are recognised immediately in the income statement to an extent equal to the difference between expenses and discounted benefits.

Non-recurring expenses

Non-recurring expenses are associated with extraordinary transactions, which include primarily expenses for legal, tax, accounting, financial and strategic consulting services, as well as other general expenses connected with the relative transactions.

Result of equity investments

Income and expenses from associates include the effects resulting from valuation at equity and capital gains and losses from the sale of investments in associates.

Financial income and expenses

Financial income includes interest income on invested liquidity and profits on hedging instruments recognised in the income statement. Interest income is recognised in the income statement on an accrual basis using the effective interest method. Financial expense includes interest expenses on loans and losses on hedging instruments recognised in the income statement. Costs relating to loans are recognised in the income statement using the effective interest method.

Income taxes

The tax burden for the year includes current and deferred taxes. Income taxes are recognised in the income statement, with the exception of those relating to any transactions recognised directly in shareholders' equity where they are recorded.

Current taxes represent the estimated amount of income taxes due, calculated on taxable income for the year, determined by applying the tax rates in force or substantially in force at the reporting date and any adjustments to the amount relating to previous years.

Deferred taxes are recognised in accordance with the equity method, by calculating temporary differences between the carrying amounts of assets and liabilities recognised in the financial statements and the corresponding values recognised for tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to be applicable in the year in which the asset or liability to which they refer will be realised or settled, respectively, on the basis of the tax rates established by measures in force or substantially in force at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets with current tax liabilities and if the deferred tax assets and liabilities relate to income taxes applied by the same tax authority on the same taxpayer or different taxpayers that intend to settle current tax assets and liabilities on a net basis, or sell the assets and settle the liabilities simultaneously.

Deferred tax assets are recognised to the extent to which it is likely that future taxable income will be available against which such assets may be used. The value of deferred tax assets is reviewed at each reporting date and is reduced to the extent to which it is no longer likely that the relative tax benefit may be realised.

Additional income taxes resulting from any distribution of dividends are accounted for when the liability for payment of the dividend is recognised.

Earnings per share

Basic earnings per share is the profit attributable to the shareholders of the Parent Company divided by the weighted average number of ordinary shares outstanding during the period under review, excluding any treasury shares held. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming the conversion into ordinary shares of all stock options granted with a dilutive effect. The Group's existing stock option plans provide for a category of potential ordinary shares with a dilutive effect.

Information by segment

A business segment is a group of uniquely identifiable activities and operations that provides a set of related products and services and is subject to different risks and benefits to the Group's other business segments.

IFRS 8 provides for segment information to be based on the elements used by chief operating decision makers (CODM) to analyse performance and make operating decisions.

In the wake of the recent acquisition of THE NET-A-PORTER GROUP and in order to achieve the material synergies expected from the integration of the pre-existing businesses, the management and control model currently adopted by the Group's management makes provision, among other things, for the integrated management of the Group's technology and logistics platform.

The activity of the Group can therefore be identified in a single operating segment relating to the business of the YOOX NET-A-PORTER GROUP.

Disclosure on financial instruments

Pursuant to IFRS 7, additional information is provided on financial instruments in order to assess:

- the impact of the financial instruments on the statement of financial position, the income statement and the statement of cash flows;
- the nature and size of the financial instrument-related risks to which the business is exposed; and
- how these risks are managed.

CHANGES TO ACCOUNTING STANDARDS, NEW ACCOUNTING STANDARDS, CHANGES TO ESTIMATES AND RECLASSIFICATIONS

New accounting standards and amendments effective as of 1 January 2016 and adopted by the Group

Amendments to IAS 1 – Disclosure initiative (applicable for accounting periods beginning on or after 1 January 2016).
The amendment provides clarifications on the elements of disclosure that may be perceived as impediments to the clear and intelligible preparation of the financial statements.

Amendments to IAS 27 – Equity method in separate financial statements (applicable for accounting periods beginning on or after 1 January 2016).
The amendment introduces the option of using the equity method in the separate financial statements of an entity to value shareholdings in subsidiaries, joint ventures and associates. Consequently, following the introduction of the amendment, an entity may record these shareholdings in its own separate financial statements using the cost method, or as set out in IFRS 9 or using the equity method.

The initial application of the interpretation has not had significant impacts on the consolidated financial statements of the Group.

The adoption of this interpretation in the comparable accounting periods would not have involved differences on the financial statement balances.

New accounting standards and amendments effective as of 1 January 2016 that are not relevant for the Group

Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations (applicable for accounting periods beginning on or after 1 January 2016).
The amendment provides clarifications regarding the accounting for acquisitions of interests in a joint venture whose activities constitute a business as defined by IFRS 3. The amendment requires the application of the principles reported in IFRS 3 in these cases.

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation (applicable for accounting periods beginning on or after 1 January 2016).
Amendments to IAS 16 establish that depreciation criteria based on revenues are not appropriate, as, according to the amendment, revenues generated by an activity that include the use of the asset being depreciated reflect factors other than the consumption of the asset's economic benefits alone. The amendments to IAS 38 introduce a rebuttable presumption according to which a revenue-based amortisation method is generally considered inappropriate for the same reasons established by the changes introduced to IAS 16. In the case of intangible assets, this presumption may however be overcome, but only in limited and specific circumstances.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: application of the consolidation exception.
The amendments to IFRS 10 clarify that the exemption specified in paragraph 4 of IFRS 10 from presenting consolidated financial statements applies to a controlling entity, which is in turn controlled by an investment company when the latter measures its subsidiaries at fair value. The aim of the amendments is to allow entities to apply the equity method described in IAS 28 - Investments in Associates and Joint Ventures, to record investments in subsidiaries, joint ventures and associates in the respective separate financial statements.

New accounting principles and amendments not yet applicable and not adopted in advance by the Group

The new accounting standards or amendments applicable for financial years beginning after 1 January 2016 and which may be applied in advance are specified below. The Group has decided not to adopt them in advance for the preparation of these consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers: IFRS 15 introduces a single general model to determine if, when and to what extent to recognise revenues. This standard replaces the revenue recognition criteria in IAS 18 - Revenue, IAS 11 - Construction Contracts and IFRIC 13 - Customer Loyalty Programmes.
IFRS 15 applies for financial years beginning on or after 1 January 2018. Early adoption is permitted.

IFRS 9 - Financial Instruments: Published in July 2014, IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new provisions for the classification and measurement of financial instruments, a new model for expected losses for the calculation of impairment losses on financial assets and new general provisions for hedge accounting transactions. In addition, it includes provisions for the recognition and elimination of financial instruments for accounting purposes in keeping with the current IAS 39. IFRS 9 applies for financial years beginning on or after 1 January 2018. Early adoption is permitted.

Documents not yet approved by the European Union as at 31 December 2016

IFRS 16 - Leases: Issued in January 2016, IFRS 16 introduced new principles for the recognition, measurement, presentation and disclosure of leases for both contractual counterparties. IFRS 16 applies for financial years beginning on or after 1 January 2019. The company may elect to apply IFRS 16 before that date in the event of the application of IFRS 15 - Revenue from Contracts with Customers. IFRS 16 replaces the previous standard IAS 17 - Leases, and related interpretations.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) - The amendments provide clarifications on the procedures for recognising deferred tax assets from unrealised losses on debt instruments measured at fair value. The amendments apply for financial years beginning on or after 1 January 2017.

Disclosure Initiative (Amendments to IAS 7) - The amendments require entities to provide information allowing users of financial statements to assess changes in liabilities resulting from financing activities including monetary and non-monetary changes. The amendments apply for financial years beginning on or after 1 January 2017.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration - Issued in December 2016, IFRIC 22 provides clarifications on the recording of foreign currency transactions.

IFRS 2: Classification and Measurement of Share-based Payment Transactions - In June 2016, the IASB issued amendments to IFRS 2 aimed at clarifying the recording of transactions involving share-based payments. These amendments are applicable starting 1 January 2018, but they may be applied in advance.

Transfers of Investment Property (Amendments to IAS 40) - In December 2016 the IASB published amendments to paragraph 57 of IAS 40. These amendments are applicable starting 1 January 2018, but they may be applied in advance.

Annual Improvements to IFRS Standards (2014-2016 Cycle) - The improvements made to the IFRS, with the issuance made by the IASB in December 2016, involved the following standards: IFRS 1, IFRS 12 and IAS 28.

Clarifications to IFRS 15 Revenue from Contracts with Customers - The IASB issued this document in April 2016, and it is applicable starting 1 January 2018.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - The IASB issued this document in September 2016, and it is applicable starting 1 January 2018.

6. INFORMATION BY BUSINESS LINE

Following the recent acquisition of THE NET-A-PORTER GROUP, the current reporting system used by senior management to assess business performance does not provide for the allocation to the business lines of relevant operating costs, depreciation and amortisation, and non-monetary revenues and costs; as such, the information presented relates only to net sales revenues for the Multi-brand In-Season (including the activities of online stores net-a-porter.com, mrporter.com, thecorner.com and shoescribe.com), Multi-brand Off-Season (including the activities of online stores yoox.com and the outnet.com) and online flagship stores (including the design, planning, creation and management activities for the online stores and some of the leading fashion brands) business lines, consistent with the aforementioned reporting system.

7. DIRECTORS APPOINTMENT COMMITTEE

Revenues generated by the Group from transactions with third-party customers break down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015
ITALY REVENUES	124,783	104,237
UNITED KINGDOM REVENUES	269,935	109,172
EUROPE (EXCLUDING ITALY AND THE UNITED KINGDOM) REVENUES	488,075	291,345
NORTH AMERICA REVENUES	573,903	256,667
ASIA-PACIFIC REVENUES	302,287	124,674
OTHER COUNTRIES AND NON-COUNTRY-RELATED REVENUES	111,677	36,565
TOTAL	**1,870,660**	**922,659**

The "Non-country-related" item comprise fees for the set-up and maintenance activities for the online stores, media partnership projects in the Multi-brand business line as well as web marketing, web design and other web marketing services offered for the online stores.

The table concerning revenues by geographical area is consistent with the Group's control model: only sales to online customers are allocated by country in this control model.

In 2015 and 2016, no single third-party customer contributed more than 10% of the Group's revenues.

8. NOTES TO THE STATEMENT OF FINANCIAL POSITION, INCOME STATEMENT AND STATEMENT OF CASH FLOWS

CONSOLIDATED INCOME STATEMENT

8.1 NET REVENUES

The Group's net revenues from sales and the provision of services as at 31 December 2016 and 31 December 2015 break down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
NET REVENUES FROM SALES	1,801,124	892,047	909,077
NET REVENUES FROM THE PROVISION OF SERVICES	69,536	30,612	38,924
TOTAL	**1,870,660**	**922,659**	**948,001**

Net revenues from sales increased by more than 100% from Euro 922,659 thousand as at 31 December 2015 to Euro 1,870,660 thousand as at 31 December 2016. Net revenues from sales include all revenues for the sale of goods, expressed net of discounts provided to customers and returns.
The increase in this item was due to the consolidation of THE NET-A-PORTER GROUP, which in 2016 was fully consolidated, but in the prior year was only consolidated from 5 October 2015, the merger date. An analysis of pro-forma revenues can be found in the Directors' Report and the note on segment reporting.

Furthermore, sales volumes net of the acquisition also rose. The increase totalled Euro 909,077 thousand, an increase of more than 100% over the previous year.

Revenues from the sale of goods are reported net of sales returns, amounting to Euro 1,003,170 thousand in 2016, or 36.0% of gross revenues in 2016 (revenues from the sale of goods before customer returns in 2016) and Euro 436,720 thousand in

2015, or 33.4% of gross revenues in 2015 (revenues from the sale of goods before customer returns in 2015). Returns are an inherent part of the Company's business activities, as a result of the protection afforded to consumers under remote-selling – and specifically e-commerce – regulations in force in the countries where the Company operates.

Revenues from the provision of services rose by more than 100% from Euro 30,612 thousand in 2015 to Euro 69,536 thousand in 2016, mainly including:

- the recharging of transport services for sales, net of any discounts, to the end customer (in certain countries the customer also pays for return shipments) and net of refunds made if the customer returns the goods sold;
- revenues from the set-up fees charged to create the online stores and fees charged to Strategic Partners in the Mono-brand business line for maintaining the online stores;
- revenues generated from the sale of media partnership projects and web marketing services.

8.2 COST OF GOODS SOLD

The cost of goods sold came in at Euro 1,138,238 thousand (60.8% of net revenues) for the year ended 31 December 2016, compared with Euro 570,893 thousand (61.9% of net revenues) in 2015, an increase of Euro 567,344 thousand. The cost of goods sold includes costs deriving from the acquisition of goods for resale as well as costs for services and other costs.

The following table shows a breakdown of the cost of goods sold by nature:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
CHANGE IN INVENTORIES OF GOODS	65,638	82,997	(17,359)
PURCHASE OF GOODS	(1,057,822)	(576,340)	(481,482)
SERVICE COSTS	(111,081)	(66,408)	(44,673)
OTHER COSTS	(34,973)	(11,143)	(23,830)
TOTAL	**(1,138,238)**	**(570,893)**	**(567,344)**

The increase in this item was due to the consolidation of THE NET-A-PORTER GROUP, which in 2016 was fully consolidated, but in the previous year was only consolidated from 5 October 2015, the merger date.

Costs for the purchase of goods rose from Euro 576,340 thousand in 2015 to Euro 1,057,822 thousand in 2016, an increase of 83.5%. This cost comprises the cost of procuring goods for resale, and its absolute value is directly correlated to sales performance.

Service costs were up by 67.3%, from Euro 66,408 thousand in 2015 to Euro 111,081 thousand in 2016. This item includes costs related to transportation for sales and for 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 over 100% from Euro 11,143 thousand in 2015 to Euro 34,973 thousand in 2016. These costs mainly comprise transportation costs for purchases, and the internal personnel expenses and external supplier costs incurred to set up and maintain the websites of Mono-brand Strategic Partners.

8.3 FULFILMENT COSTS

Fulfilment costs came in at Euro 194,638 thousand (10.4% of net revenues) in 2016, compared with Euro 94,178 thousand (10.2% of net revenues) in 2015, an increase of Euro 100,461 thousand.

This cost comprises operational expenses incurred from digital production, cataloguing and quality control, from warehouse logistics, and from the department that provides direct services to customers, referred to as customer services.

The following table shows the breakdown of fulfilment costs:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
SERVICE COSTS AND OTHER COSTS	(97,156)	(61,621)	(35,535)
PERSONNEL EXPENSES	(84,260)	(23,251)	(61,009)
DEPRECIATION AND AMORTISATION	(13,221)	(9,305)	(3,916)
TOTAL	**(194,638)**	**(94,178)**	**(100,461)**

The increase in this item was due to the consolidation of THE NET-A-PORTER GROUP, which, in 2016, was fully consolidated, but in the previous year was only consolidated from 5 October 2015, the merger date.

Service costs and other costs rose from Euro 61,621 thousand in 2015 to Euro 97,156 thousand in 2016, an increase of 57.7%. They mainly comprise service costs for handling and packaging goods and costs relating to outsourced production processes.

Personnel expenses rose from Euro 23,251 thousand in 2015 to Euro 84,260 thousand in 2016, with an increase of over 100%, determined by the increase in the number of employees involved in this function. Personnel expenses include the cost of employees as well as costs equivalent to personnel expenses relating to interns, contractors and consultants.

8.4 SALES AND MARKETING COSTS

Sales and marketing costs came in at Euro 230,779 thousand (12.3% of net revenues) for the period ended 31 December 2016, compared with Euro 113,365 thousand (12.3% of net revenues) in 2015, an increase of Euro 117,415 thousand.

These expenses relate to departments operating in sales. A portion of the costs are for personnel working in sales and marketing. The item also contains web marketing costs, costs for charges on credit card transactions and other methods of payment made to intermediaries for payment collection services, as well as expenses relating to customs duties on purchases relating to the import and export of goods sold.

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

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
SERVICE COSTS	(172,171)	(84,817)	(87,354)
PERSONNEL EXPENSES	(51,695)	(23,901)	(27,794)
DEPRECIATION AND AMORTISATION	(3)	(4)	1
OTHER COSTS	(6,910)	(4,642)	(2,268)
TOTAL	**(230,779)**	**(113,365)**	**(117,415)**

The increase in this item was due to the consolidation of THE NET-A-PORTER GROUP, which in 2016 was fully consolidated, but in the previous year was only consolidated from 5 October 2015, the merger date.

Service costs grew by Euro 87,354 thousand, from Euro 84,817 thousand in 2015 to Euro 172,171 thousand in 2016. The main components of service costs in 2016 were:

- web marketing costs of Euro 62,966 thousand (Euro 28,446 thousand in 2015). 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;

- expenses for credit card transactions of Euro 38,126 thousand (Euro 17,347 thousand in 2015);

- import and export duties totalling Euro 14,028 thousand (Euro 15,476 thousand in 2015).
- Costs for fraud relating to e-commerce activities of Euro 10,368 thousand (Euro 3,639 thousand in 2015).

Personnel expenses increased by more than 100% from Euro 23,901 thousand in 2015 to Euro 51,695 thousand in 2016, caused by a rise in the workforce in this function. Personnel expenses include the cost of employees as well as costs equivalent to personnel expenses relating to interns, contractors and consultants.

Other costs increased by 48.8% from Euro 4,642 thousand in 2015 to Euro 6,910 thousand in 2016.

8.5 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.

Expenditure in this area totalled Euro 248,683 thousand in 2016, compared with Euro 97,007 thousand in 2015, an increase of Euro 151,675 thousand.

General expenses can be broken down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
SERVICE COSTS	(91,401)	(41,411)	(49,990)
PERSONNEL EXPENSES	(79,337)	(28,466)	(50,871)
DEPRECIATION AND AMORTISATION	(77,945)	(27,131)	(50,814)
TOTAL	**(248,683)**	**(97,007)**	**(151,675)**

The increase in this item was due to the consolidation of THE NET-A-PORTER GROUP, which in 2016 was fully consolidated, but in the previous year was only consolidated from 5 October 2015, the merger date.

Service costs grew by Euro 49,990 thousand, from Euro 41,411 thousand in 2015 to Euro 91,401 thousand in 2016.

Personnel expenses rose by Euro 50,871 thousand, from Euro 28,466 thousand in 2015 to Euro 79,337 thousand in 2016. Personnel expenses include the cost of employees as well as costs equivalent to personnel expenses relating to interns, contractors and consultants.

Depreciation and amortisation rose from Euro 27,131 thousand in 2015 to Euro 77,945 thousand in 2016, an increase of over 100%.

8.6 OTHER INCOME AND EXPENSES

Other net income and expenses totalled a negative figure of Euro 6,139 thousand for the year ended 31 December 2016, up by Euro 1,501 thousand on the negative figure of Euro 4,638 thousand in 2015.

Other income and expenses can be broken down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
EXTRAORDINARY ASSETS/LIABILITIES	(2,680)	(2,409)	(271)
THEFT AND LOSSES	(1,708)	(1,346)	(362)
OTHER TAX LIABILITIES	(509)	(295)	(214)
OTHER INCOME AND EXPENSES	(461)	(296)	(165)
PROVISIONS FOR SUNDRY RISKS	(448)	(252)	(196)
REIMBURSEMENTS	(332)	(39)	(293)
TOTAL	**(6,139)**	**(4,638)**	**(1,501)**

Extraordinary items went from a negative balance of Euro 2,409 thousand in 2015 to a negative balance of Euro 2,680 thousand in 2016. The item includes income and expenses arising from ordinary operating activities.

Theft and losses relates to the theft and losses of goods destined for final customers that have already occurred at the closing date of the financial year.

Other tax liabilities increased from Euro 295 thousand in 2015 to Euro 509 thousand in 2016, an increase of 72.5%.

Provisions for sundry risks in 2016 relate to the estimated charge incurred due to theft and loss of goods not identified as missing at the reporting date.

8.7 NON-RECURRING EXPENSES

Non-recurring expenses are associated with extraordinary transactions, which include primarily expenses for legal, tax, accounting, financial and strategic consulting services, as well as other general expenses connected with the relative transactions. The item had a zero balance as at 31 December 2016.

8.8 OPERATING PROFIT

As required by IAS 1, the following is a breakdown of costs by nature used to determine the operating margin.

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
NET REVENUES	1,870,660	922,659	948,001
CHANGE IN INVENTORIES OF GOODS	65,638	82,997	(17,359)
PURCHASE OF GOODS	(1,057,822)	(576,340)	(481,482)
SERVICES	(471,809)	(254,257)	(217,552)
PERSONNEL EXPENSES	(215,292)	(75,618)	(139,674)
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(91,169)	(36,440)	(54,729)
OTHER COSTS AND REVENUES	(48,022)	(20,423)	(27,599)
NON-RECURRING EXPENSES	-	(19,936)	19,936
OPERATING PROFIT	**52,183**	**22,643**	**29,541**

Operating profit was down from Euro 22,643 thousand in 2015 to Euro 52,183 thousand in 2016, which amounted to 2.8% over net revenues in 2016 compared with 2.5% in 2015.

Personnel expenses include all employment related expenses, such as merit pay rises, promotions, cost-of-living adjustments, variable remuneration for 2016, 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.

8.9 INCOME FROM EQUITY INVESTMENTS

Income from equity investments as at 31 December 2016 was Euro 371 thousand and was the result of the valuation of the equity investment in the associate company. For more information, please see paragraph 8.16.

8.10 FINANCIAL INCOME AND EXPENSES

Financial income went from Euro 12,480 thousand in 2015 to Euro 12,451 thousand in 2016.

The following table shows the breakdown of financial income:

DESCRIPTION	31 DECEMBER 2016	31 DECEMBER 2015	CHANGE
EXCHANGE RATE GAINS	11,434	11,280	154
OTHER FINANCIAL INCOME	491	234	257
INTEREST INCOME ON CURRENT ACCOUNTS	526	955	(429)
INTEREST INCOME TO ASSOCIATES	-	11	(11)
TOTAL	**12,451**	**12,480**	**(29)**

Exchange rate gains went from Euro 11,280 thousand in 2015 to Euro 11,434 thousand in 2016. These gains arose mainly from the translation of items in US dollars and Japanese yen, and were strictly related to the ordinary sales and purchase of goods.

Other financial income went from Euro 234 thousand in 2015 to Euro 491 thousand in 2016, while interest income on current accounts went from Euro 955 thousand in 2015 to Euro 526 thousand in 2016.

Financial expenses went from Euro 14,114 thousand in 2015 to Euro 16,511 thousand in 2016.

The following table shows the breakdown of financial expenses:

DESCRIPTION	31 DECEMBER 2016	31 DECEMBER 2015	CHANGE
EXCHANGE RATE LOSSES	(12,840)	(9,327)	(3,513)
OTHER FINANCIAL EXPENSES	(1,446)	(2,214)	768
INTEREST EXPENSES	(2,225)	(2,572)	347
TOTAL	**(16,511)**	**(14,114)**	**(2,397)**

Realised and unrealised exchange rate losses totalled Euro 9,327 thousand in 2015 and Euro 12,840 thousand in 2016. They mainly relate to the translation of items in US dollars and Japanese yen, and are strictly related to the ordinary sale and purchase of goods.

Other financial expense, which went from Euro 2,214 thousand in 2015 to Euro 1,446 thousand in 2016, refers to bank sureties issued by credit institutions to third parties on the Group's behalf. This item also includes premiums paid for exchange rate risk hedging agreements, as well as the recognition of their fair value.

Interest expense of Euro 2,225 thousand at 31 December 2016 declined by Euro 347 thousand, as a result of the new loans taken out during the period.

8.11 TAXES

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

DESCRIPTION	31 DECEMBER 2016	31 DECEMBER 2015	CHANGE
CURRENT CORPORATE INCOME TAX (IRES) - PARENT COMPANY (1)	-	(5,806)	5,806
CURRENT REGIONAL INCOME TAX (IRAP) - PARENT COMPANY (2)	-	(21)	21
CURRENT INCOME TAX - FOREIGN COMPANIES	(21,127)	(10,642)	(10,485)
DEFERRED TAXES	6,562	11,475	(4,913)
TOTAL TAXES	**(14,565)**	**(4,993)**	**(9,572)**

(1) IRES: Imposta sul Reddito delle Società (Corporate Income Tax)
(2) IRAP: Imposta Regionale sulle Attività Produttive (Regional Tax on Production Activities)

The Group incurred a greater tax burden in absolute terms than at 31 December 2015. Current taxes went from Euro 16,469 thousand to Euro 21,127 thousand.
Current taxes for the Group's overseas companies in the year to 31 December 2016 amounted to approximately Euro 21,127 thousand.

As at 31 December 2016, the Group recorded net positive deferred taxes of Euro 6,562 thousand.

8.12 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	31 DECEMBER 2016	31 DECEMBER 2015
BASIC EARNINGS	33,930	16,608
AVERAGE NUMBER OF SHARES	132,636,456	78,229,078
BASIC EPS	0.26	0.21

CALCULATION OF DILUTED EPS	31 DECEMBER 2016	31 DECEMBER 2015
BASIC EARNINGS	33,930	16,608
AVERAGE NUMBER OF ORDINARY SHARES	132,636,456	78,229,078
AVERAGE NUMBER OF SHARES GRANTED FREE OF CHARGE	1,033,917	2,616,992
TOTAL	133,670,373	80,846,070
DILUTED EPS	0.25	0.21

The average number of shares granted free of charge as at 31 December 2016 and 31 December 2015 and used to calculate diluted EPS relates to the granting of 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 earnings per share (Diluted EPS) given in the table above, the repurchase of 162,000 treasury shares that took place between 2 July 2010 and 7 November 2011 has been taken into account. Treasury shares repurchased were deducted in the calculation of the average number of outstanding ordinary shares net of 31,338 shares, 4,801 shares, 20,255 shares, 378 shares, 48,464 shares, 4,829 shares and 24,596 shares relating to the Company incentive plan, granted respectively on 6 August 2012, 10 January 2013, 27 May 2013, 3 June 2013, 1 August 2013, 14 January 2014 and 13 May 2014 to 46 beneficiaries and 10,000 shares granted on 16 January 2015.

STATEMENT OF FINANCIAL POSITION

8.13 PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2016, property, plant and equipment totalled Euro 130,586 thousand. The following is a summary of changes therein in 2016:

DESCRIPTION	HISTORICAL COST	INCREASES	DECREASES	HISTORICAL COST	ACC. DEPRECIATION	AMORTISATION	UTILISATION	ACC. DEPRECIATION	EXCHANGE DIFFERENCE FROM CONVERSION	EXCHANGE DIFFERENCE FROM CONVERSION	NET CARRYING AMOUNT	NET CARRYING AMOUNT
	AS AT 31/12/2015			AS AT 31/12/2016	AS AT 31/12/2015			AS AT 31/12/2016	AS AT 31/12/2015	AS AT 31/12/2016	AS AT 31/12/2015	AS AT 31/12/2016
PLANT AND EQUIPMENT	78,820	8,378	(116)	87,082	(29,161)	(5,967)	116	(35,013)	679	(993)	50,338	51,076
BUILDINGS	65,511	4,509	(164)	69,855	(27,710)	(7,643)	49	(35,304)	601	(460)	38,402	34,091
LEASEHOLD IMPROVEMENTS	65,511	4,509	(164)	69,855	(27,710)	(7,643)	49	(35,304)	601	(460)	38,402	34,091
INDUSTRIAL AND COMMERCIAL EQUIPMENT	4,893	997	(66)	5,824	(2,910)	(746)	65	(3,591)	27	(95)	2,010	2,138
OTHER ASSETS	54,888	21,062	(296)	75,654	(34,670)	(11,374)	266	(45,777)	277	(901)	20,495	28,977
FURNITURE AND FURNISHINGS	11,653	1,329	(61)	12,921	(8,831)	(1,423)	59	(10,195)	39	(196)	2,861	2,529
ELECTRONIC EQUIPMENT	41,793	19,668	(185)	61,275	(24,859)	(9,706)	158	(34,407)	232	(700)	17,165	26,169
OTHER TANG. ASSETS	1,442	65	(50)	1,458	(980)	(244)	50	(1,175)	6	(6)	468	277
ASSETS UNDER CONSTRUCTION AND PAYMENTS ON ACCOUNT	-	14,305	-	14,305	-	-	-	-	-	-	-	14,305
GENERAL TOTAL	204,113	49,250	(642)	252,721	(94,451)	(25,730)	496	(119,685)	1,584	(2,451)	111,246	130,586

The overall net increase in property, plant and equipment in 2016 amounted to Euro 19,340 thousand.

Investments in tangible assets were mainly related to investments in the highly automated technical and logistical platform and the completion of work in process on the administrative centre in the new London office.

Note that a portion of this work is still under way. Specifically, work has still not been completed on the logistics centres in Landriano (PV) and Acqualagna (PU) totalling Euro 8,111 thousand and on the administrative centre in London Euro 6,194 thousand.

This involved an increase in the item "Plant and equipment" of Euro 8,378 thousand as well as the item "Buildings" in an amount equal to Euro 4,509 thousand, and in the item "Equipment" in the amount of Euro 997 thousand.

The total increase in "Other Assets", amounting to Euro 21,062 thousand, is due to the combined effect of the investment in new servers, PCs and monitors, also held under finance leases, for an increase of Euro 19,668 thousand, and investments made in furniture as regards the remainder.

During the year, the Group had the assets identified in the Plant and Machinery category appraised by specialist consultants. This appraisal showed that the Group's plant assets, relating almost exclusively to the automated logistics platform, had a longer useful life than that estimated at the end of the previous year.
Consequently, during the period, the Group defined a new rate for the asset category, which was prospectively reduced from 15% to 9%.

Depreciation during the year totalled Euro 25,730 thousand.

As at 31 December 2016, there were no liens or encumbrances on YOOX NET-A-PORTER GROUP S.p.A. property, plant and equipment.

Moreover, no impairment losses or revaluations were carried out on items of property, plant and equipment in 2016. In the period under review, no financial expenses were ascribed to asset entries in the statement of financial position.

8.14 INTANGIBLE ASSETS WITH FINITE USEFUL LIFE

Intangible assets amounted to Euro 461,460 thousand as at 31 December 2016.

The following is a summary of changes in intangible assets with finite useful life in 2016.

DESCRIPTION	HISTORICAL COST	INCREASES	DECREASES	HISTORICAL COST	ACC. AMORTISATION	AMORTISATION	ACC. AMORTISATION	EXCHANGE DIFFERENCE FROM CONVERSION	EXCHANGE DIFFERENCE FROM CONVERSION	NET CARRYING AMOUNT	NET CARRYING AMOUNT
	AS AT 31/12/2015			AS AT 31/12/2016	AS AT 31/12/2015		AS AT 31/12/2016	AS AT 31/12/2015	AS AT 31/12/2016	AS AT 31/12/2015	AS AT 31/12/2016
DEVELOPMENT COSTS	121,820	25,273	-	147,093	66,289	(24,862)	(91,151)	-	(1,477)	55,531	54,465
SOFTWARE AND LICENCES	21,870	9,877	-	31,747	(12,516)	(7,502)	(20,018)	-	(249)	9,354	11,480
BRANDS AND OTHER RIGHTS	3,020	-	-	3,020	(2,657)	(175)	(2,832)	-	(10)	362	179
TRADEMARKS AND PATENTS	3,020	-	-	3,020	(2,657)	(175)	(2,832)	-	(10)	362	179
ASSETS UNDER DEVELOPMENT	-	52,547	-	52,547	-	-	-	-	-	-	52,547
OTHER	3,101	373,516	-	376,617	(2,312)	(32,899)	(35,211)	-	1,385	789	342,791
BRAND	-	308,412	-	308,412	-	(21,482)	(21,482)	-	920	-	287,850
CUSTOMER LIST	-	65,104	-	65,104		(11,337)	(11,337)	-	486	-	54,253
OTHER INTANGIBLE ASSETS	3,101	-	-	3,101	(2,312)	(81)	(2,393)	-	(21)	789	687
GENERAL TOTAL	149,811	461,212	-	611,023	(83,774)	(65,439)	(149,213)	-	(351)	66,036	461,460

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

Development costs

In 2016, the Group made significant investments in multi-year development projects, amounting to Euro 25,273 thousand. The Group made significant investments in multi-year development projects amounting to Euro 66,574 thousand (Euro 41,301 thousand of which was for developments in progress). These are costs incurred by the Group for specific projects aimed at the ongoing development of innovative solutions for the creation and management of online stores. The development projects were categorised on the basis of the issue for which the various procedures were carried out: development of e-commerce platform functionality, operational development of productivity, and development of service security and continuity.
These costs relate both to internal personnel expenses and to the costs of services provided by third parties. In keeping with the strategy established in previous years, the number of development projects outsourced to external suppliers increased significantly. The 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.

During the year, the Group had the developments capitalised over previous years appraised by specialist consultants; this appraisal showed that the Group's developments, relating exclusively to the automated logistics platform, had a longer useful life than that estimated at the end of the previous year.
Consequently, in 2016, the Group defined a new rate for the asset category, which was reduced from 33% to 30%.

Software and licences

The increase of Euro 9,877 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, and in particular the development of the new order management service system. Please note the entry for "Intangible assets under development", amounting to Euro 11,245 thousand, relating to the development of integration software.

Assets under development and payments on account

Please note that not all projects under development during 2016 were completed by 31 December 2016. These amounted to Euro 52,547 thousand and were attributable to IT and integration developments not yet completed.

Amortisation of intangible assets with a finite useful life totalled Euro 65,439 thousand during the year, of which Euro 32,819 thousand related to allocations of amounts to the brand and to the customer list acquired as part of the merger between YOOX GROUP and THE NET-A-PORTER GROUP.

8.15 PURCHASE PRICE ALLOCATION AND GOODWILL

Goodwill of Euro 1,231,769 thousand was due to the combined effect of the carrying amount of the goodwill arising from the merger of Largenta Italia S.p.A., which took effect on 5 October 2015 for legal and accounting purposes, into YOOX NET-A-PORTER GROUP S.p.A. and the definition of the Purchase Price Allocation process.

As regards the accounting of the acquisition, on the basis of IFRS 3, the acquirer shall recognise, separately from goodwill, assets acquired, liabilities and contingent liabilities assumed and must classify or designate them according to contractual terms, economic conditions, its operating or accounting principles and other pertinent conditions, existing as at the date of the acquisition. The acquirer must also assess and account for the acquiring activities and liabilities assumed at their respective fair value as at the date of acquisition.

AMOUNTS IN THOUSANDS OF EUROS	31/12/2015	*EXCHANGE DIFFERENCE FROM CONVERSION*	31/12/2016
PROPERTY, PLANT AND EQUIPMENT	72,663	(9,987)	62,676
INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	12,416	(1,707)	10,709
DEFERRED TAX ASSETS	32,996	(4,535)	28,461
OTHER NON-CURRENT FINANCIAL ASSETS	1,920	(264)	1,656
INVENTORIES	225,209	(30,954)	194,255
TRADE RECEIVABLES	12,229	(1,681)	10,548
OTHER CURRENT ASSETS	32,937	(4,527)	28,410
CASH AND CASH EQUIVALENTS	6,168	(848)	5,320
CURRENT FINANCIAL ASSETS	23,678	(3,254)	20,424
DEFERRED TAX LIABILITIES	(6,237)	857	(5,380)
OTHER MEDIUM-/LONG-TERM PAYABLES	(7,956)	1,094	(6,862)
BANKS AND OTHER CURRENT LOANS	(6,216)	854	(5,362)
PROVISIONS FOR RISKS AND CHARGES	(89,478)	12,299	(77,179)
TRADE PAYABLES	(140,356)	19,292	(121,064)
TAX LIABILITIES	(25,222)	3,467	(21,755)
OTHER PAYABLES	(80,470)	12,757	(67,713)
TOTAL NET ASSETS ACQUIRED	**64,279**	**(7,139)**	**57,142**
TRANSFERRED PAYMENT	**1,840,725**	**(253,003)**	**1,587,722**
GOODWILL	**1,776,445**	**(245,864)**	**1,530,582**
PURCHASE PRICE ALLOCATIONS	**-**	**-**	**(298,813)**
GOODWILL RECOGNISED AS AT 31/12/2016	**-**	**-**	**1,231,769**

The IFRS 3 principle provides for an assessment period of one year during which it is possible to rectify, with retroactive effect from the date of acquisition, the provisional initial recognition of the acquisition activities and the liabilities assumed based on information that has become available during that time, concerning facts and circumstances existing as at the date of acquisition. The assessment period ended on 30 June 2016.

Management valuations led to the allocation of goodwill, originally recognised in the amount of Euro 1,776,445 thousand (Euro 1,530,582 thousand as at 31 December 2016, as a result of the significant impact of exchange rate translation differences between the euro and the British pound), to intangible assets (net of the related tax effect) in the amount of Euro 298,813 thousand.

The merger deficit at 31 December 2016 in euros and its Purchase Price Allocation is shown below:

MERGER DEFICIT	BRAND	CUSTOMER LIST	DEFERRED TAXES	GOODWILL 31/12/2016
1,530,582	(308,412)	(65,104)	74,703	(1,231,769)

BRAND

The brand falls under intangible assets relating to marketing identified by IFRS 3 as a potential intangible asset identified during purchase price allocation.
With reference to the acquisition of THE NET-A-PORTER GROUP, it was considered appropriate to limit the analysis to a single brand, with "Net-A-Porter.com" considered an umbrella brand – this means that consumers associate its other brands to it, clearly identifying the "Net-A-Porter experience".
For the initial valuation of the brand, both market methods and fundamental methods based on cash flows were used.
Following the allocation process, this intangible asset was recorded at 31 December 2016 in the amount of Euro 308,412 thousand with a definite useful life of 15 years.
In 2016, the amortisation charge of the relevant asset (Euro 21,482 thousand, before taxes and Euro 17,185 thousand after taxes) was posted to the income statement.
The company checks at the end of every quarter that there are no impairment indicators.

CUSTOMER LIST

Over the years, NAP has built up a significant portfolio of ongoing relations with clients worldwide, leveraging on the quality and variety of its offer, supported by editorial content, and a reliable and personalised service.
In light of the characteristics mentioned above relating to the use of the brand, the customer list was considered as a single asset, drawing on the contributions made from all currently operational websites.
Following the allocation process, this intangible asset was recorded at 31 December 2016 in the amount of Euro 65,104 thousand with a definite useful life of 6 years.
In 2016, the amortisation charge of the relevant asset (Euro 11,337 thousand, before taxes and Euro 9,069 thousand after taxes) was posted to the income statement.
The company checks at the end of every quarter that there are no impairment indicators.

OUTCOME OF PROCEDURES

This goodwill has been subjected to an impairment test using the process approved by the Parent Company YOOX NET-A-PORTER GROUP's Board of Directors on 7 February 2017; it did not show signs of potential impairment.

For the purpose of the impairment test, the YOOX NET-A-PORTER GROUP was considered to be the sole CGU based on the following:

- there is a single, integrated strategy for managing the Group's logistics and technology platforms;
- management and control activities are performed centrally by a single, dedicated management team;
- inventory management is centralised and unified at Group level;
- the Group's products and the active market for these products show similar characteristics;
- the business plan does not provide for subdivisions by business area, in line with the Group's management as a single entity;
- consistency and alignment with the representation of the Group provided to the market.

The recoverable value of the CGU was calculated, with the help of external consultants, as value in use, taken as the sum of the current net value of operating cash flows (discounted for this purpose using the Discounted Cash Flow method) taken from the business plan for 2017-2020 and from a terminal value at the end of this. Forecasts for 2017-2020 were provided by management based on the results from prior years' management expectations regarding the performance of the reference market and the achievement of synergies set out in the plan. At the end of the period relating to cash flows based on the 2017-2020 business plan, a terminal value was estimated to reflect the value of the CGU beyond the period of the plan, based on a going concern assumption. This terminal value was calculated as a perpetual yield taking into account a long-term growth rate ("g rate") of 2.50%

The discount rate was calculated as the weighted average cost of capital (WACC) in a post-tax configuration, calculated as the weighted average of the cost of own capital, calculated on the basis of the Capital Asset Pricing Model and the cost of Group debt.
The rate, pursuant to IAS 36, was calculated with reference to the operating risk level of the sector and the financial structure of a sample of listed companies comparable to the Group in terms of risk profile and sector.
The discount rate used, equal to 8.30%, was calculated to reflect the risk of the geographical areas in which the Group operates (Europe, UK, USA, Asia). In particular, the weight used for weighting the WACC for each geographical area reflects the breakdown of the turnover for the last year of explicit forecast (2020).

- risk-free rate: government bond specific to the country of reference for each area (3.6% Europe, conservatively represented by Italy, 1.2% UK, 1.8% USA, 1.5% Asia)

- unlevered beta: 0.92

- market risk premium: market consensus (5.5% Europe, 5% UK, 5% USA, 6% Asia)

The approach that takes account of implied country risk in the risk-free rate was used to calculate the discount rates.
With regard to the risk-free rate, the value for Italy considers the average U.S. Government Bond yield with a maturity of 10 years, expressed at the Italian inflation rate expected in 2020 and augmented by the difference (spread) between the Italian credit default spread (CDS) and the one of the United States. For other countries (UK, USA, China, Japan), the risk-free was estimated as the average of the yields of the respective government bonds in the 12 months preceding the reference date of the assessment.
The beta refers to a two-year recorded beta for a basket of comparable companies.

Based on simulations using the above parameters, there is no evidence of impairment to the goodwill or other activities recorded as at 31 December 2016.

The Group performed several sensitivity analyses on the results of the test compared with the change in the basic assumptions (WACC discount rate, "g" growth rate and long-term profitability) which affect the value in use of the cash generating units. Based on the assumptions taken as a reference in conducting the impairment tests, the recoverable value of the CGU assets demonstrates an excess recoverable value compared with the book value of Euro 1,320 thousand. To make the book value the same as the recoverable value there needs to be a change in the following parameters, considered individually and consistent with the other parameters: an increase in the WACC from 8.5% to 11.7% or a negative growth rate in the terminal values or a reduction in expected EBITDA excluding incentive plans at 2020 from 12% to 8.9%.

Given that the determination of the recoverable value is based on estimates, the Group cannot be sure that there will be no impairment of goodwill in future periods. Given the current weak market environment, various factors used in the processing of the estimates could be reviewed; the YNAP Group will constantly monitor these factors and the existence of losses in value.

8.16 INVESTMENTS IN ASSOCIATED COMPANIES

The non-current item as at 31 December 2016 stood at Euro 701 thousand.

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
INVESTMENTS IN ASSOCIATED COMPANIES	701	329	371
TOTAL	701	329	371

The change in the item as at 31 December 2016 was due to the valuation of the associate at equity. The table below provides a summary of the operational data of the 49%-owned associate.

INVESTMENT	END OF YEAR DATE	OWNERSHIP %	INVESTMENT	INVESTMENT PROFIT/(LOSS)	EQUITY	SHARE OF PROFIT/(LOSS)
E_LITE S.P.A. (ASSOCIATE)	31 DECEMBER	49%	701	770	1,430	377
TOTAL			701	770	1,430	377

8.17 DEFERRED TAX ASSETS

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
DEFERRED TAX ASSETS	53,043	56,075	(3,032)
TOTAL	53,043	56,075	(3,032)

Changes in deferred tax assets during 2016 are shown in the following table:

DESCRIPTION	BALANCE AS AT 31/12/2015	INCREASES	UTILISATION	EXCHANGE RATE DIFFERENCE FROM CONSOLIDATION	BALANCE AS AT 31/12/2016
DEFERRED TAX ASSETS	56,075	27,594	(28,362)	(2,264)	53,043
TOTAL	56,075	27,594	(28,362)	(2,264)	53,043

The deferred tax assets pertaining to the allowance for impairment, the provision for obsolete inventories and the provisions for risks and charges also include the amount pertaining to provisions made by foreign subsidiaries.

8.18 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets as at 31 December 2016 stood at a total of Euro 2,837 thousand (Euro 3,100 thousand as at 31 December 2015), and are mainly related to guarantee deposits. Other non-current financial assets are due to be repaid in more than five years' time.

8.19 INVENTORIES

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
INVENTORIES	578,200	531,585	46,615
TOTAL	578,200	531,585	46,615

Inventories as at 31 December 2016 and 31 December 2015 break down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
INVENTORIES OF RAW MATERIALS, CONSUMABLES AND SUPPLIES	1,996	2,376	(380)
TOTAL	**1,996**	**2,376**	**(380)**
FINISHED PRODUCTS AND GOODS	645,993	621,347	24,646
PROVISION FOR OBSOLETE FINISHED PRODUCTS AND GOODS	(69,788)	(92,138)	22,350
TOTAL	**576,205**	**529,209**	**46,996**
TOTAL NET INVENTORIES	**578,200**	**531,585**	**46,615**

Inventories rose by 8.8% from Euro 531,585 thousand as at 31 December 2015 to Euro 578,200 thousand as at 31 December 2016, and relate to goods that have been purchased for subsequent resale online.

The observable increase is only partially related to revenue growth in 2016. The increase is due to the business model that assumes a greater obligation to procure merchandise in advance, which can affect the year before the sale season.

Goods from previous collections and/or obsolete goods are written down with a provision for obsolete inventories, calculated using the estimated realisable value of the goods. This estimate of realisable values also takes into account the expected effects of new sales policies.

The amount of the provision in 2016 for obsolete inventories and changes in the provision are shown below:

DESCRIPTION	BALANCE AS AT 31/12/2015	INCREASES	DECREASES	CONS. EFFECT.	BALANCE AS AT 31/12/2016
PROVISION FOR OBSOLETE INVENTORIES	(92,138)	(12,394)	26,075	8,669	(69,788)
TOTAL	**(92,138)**	**(12,394)**	**26,075**	**8,669**	**(69,788)**

The provision for obsolete inventories has a carrying amount deemed appropriate for the actual quantities of obsolete or slow-moving goods on hand. Note that during the year an obsolescence provision was used, amounting to Euro 26,075 thousand, as a result of the sale of goods for which it had been set aside. The provision for the year however stands at Euro 12,394 thousand.

8.20 TRADE RECEIVABLES

The breakdown of trade receivables as at 31 December 2016 is as follows:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
DUE FROM CUSTOMERS	10,087	12,422	(2,335)
OTHER TRADE RECEIVABLES	22,434	19,004	3,430
ALLOWANCE FOR IMPAIRMENT	(134)	(134)	-
TOTAL	**32,387**	**31,292**	**1,095**

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, *inter alia*, services referring set-up fees incurred by the Group in relation to Strategic Partners for the design and implementation activities that the Group carries out for Online Stores.

The table below shows changes in the allowance for impairment in 2016:

DESCRIPTION	BALANCE AS AT 31/12/2015	INCREASES	DECREASES	BALANCE AS AT 31/12/2016
ALLOWANCE FOR IMPAIRMENT	(134)	-	-	(134)
TOTAL	**(134)**	**-**	**-**	**(134)**

The allowance for impairment covers specific risks relating to unpaid receivables and other receivables not considered recoverable. In 2016, it was not deemed appropriate to allocate additional provisions to adjust the coverage of receivable-related risks. In fact, provisions made in previous years adjusted the receivables to their estimated realisable value.

Pursuant to IFRS 7, Note 10 provides information on the maximum credit risk classed according to due dates, gross of the allowance for impairment.

8.21 OTHER CURRENT ASSETS

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
OTHER CURRENT ASSETS	48,171	34,790	13,381
TOTAL	**48,171**	**34,790**	**13,381**

The following is a breakdown of other current assets as at 31 December 2016:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
OTHER RECEIVABLES	1,726	2,841	(1,115)
ALLOWANCE FOR IMPAIRMENT – RECEIVABLES FROM OTHERS	(221)	(221)	-
ADVANCES TO SUPPLIERS	69	142	(73)
ADVANCES TO EMPLOYEES	168	184	(16)
PREPAYMENTS AND ACCRUED INCOME	29,933	23,166	6,768
TAX RECEIVABLES	16,496	8,679	7,817
TOTAL	**48,171**	**34,790**	**13,381**

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).

The allowance for impairment – receivables from others, as previously mentioned, relates to the loan to the Greek tax representative, which is deemed unrecoverable.

The Prepayments item mainly comprises costs relating to future periods but incurred in 2016. These mainly consist of software licence fees, insurance costs, rental costs, prepaid royalties to use trademarks and prepaid professional consulting services. The increase compared with 2015 was consistent with both the higher business volumes and the acquisition carried out during the year.

Tax receivables, which are fully recoverable by the end of the following year, comprise receivables for direct and indirect taxes.

8.22 CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS

The breakdown of the item "Cash and cash equivalents" as at 31 December 2016 is as follows:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
BANK AND POSTAL ACCOUNTS	155,447	130,320	25,127
CASH AND CASH EQUIVALENTS ON HAND	18	20	(2)
TOTAL	155,465	130,340	25,125

The balance, entirely denominated in euros except where expressly indicated, represents the cash and cash equivalents on hand at year-end deposited at major banks, readily available and free from liens.

The following is a breakdown of current financial assets as at 31 December 2016:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
DUE FROM ACQUIRERS	54,584	51,394	3,190
INVESTMENTS	10,475	10,218	257
DUE FROM ASSOCIATE COMPANIES	-	240	(240)
PREPAYMENTS AND ACCRUALS	1,935	1,102	833
TOTAL	66,995	62,954	4,041

8.23 EQUITY

The breakdown of changes in equity as at 31 December 2016 is presented in a separate table.

Share capital totalled Euro 1,337,413.05 as at 31 December 2016 (Euro 1,301,258.85 as at 31 December 2015) and increased in 2016 due to an increase of Euro 100 million in reserved capital, which was fully subscribed by Alabbar Enterprises S.à.r.l. on 19 April 2016 (Euro 35,714.28 as a share capital increase) and the capital increase due to the exercise of 846 options corresponding to 43,992 ordinary shares (Euro 493.92 as a share capital increase).
Note that the above-mentioned increase in reserved capital was carried out with the exclusion of option rights pursuant to Article 2441, paragraph 4, second part, of the Italian Civil Code, through the issue of 3,571,428 new ordinary shares at a price of Euro 28.00 per share corresponding to a premium of 5.7% over the closing price on 18 April 2016, for a total amount of Euro 100 million (including share premium).

The reserves are composed as follows:

- share premium reserve and other capital reserves of Euro 2,041,058 thousand as at 31 December 2016 (Euro 1,941,658 thousand as at 31 December 2015); this reserve increased in 2016 (i) following the booking of the share premium generated by the capital increase subscribed by Alabbar Enterprises S.à.r.l. in the amount of Euro 99,964 thousand, and (ii) by Euro 50 thousand as a result of the exercise of stock options by their recipients. Other capital reserves for a negative figure of Euro 614 thousand are attributable to premium charges amounting to a negative figure of Euro 750 thousand, with a future capital increase amounting to a positive figure of Euro 136 thousand.

- the legal reserve, which totalled Euro 260 thousand as at 31 December 2016 (Euro 193 thousand as at 31 December 2015), consists of accruals of 5% of Parent Company profits every year. Over the year, following the Board of Directors' resolution, this was increased by Euro 67 thousand by the use of earnings carried forward by the Parent Company.

- reserve for future increases in share capital and share premium reserve, which amounted to EUR 136 thousand as at 31 December 2016 (zero as at 31 December 2015), includes liabilities to individuals who had paid to exercise stock options as at 31 December 2016, but to whom the Company had not made the corresponding shares available by the end of the year;

- the purchase of treasury shares, with a negative balance of Euro 162 thousand, is recorded under the direct decrease in shareholders' equity in compliance with the arrangements of IAS 32.

- the translation reserve, which had a negative balance of Euro 240,777 thousand as at 31 December 2016 (compared with a positive figure of Euro 4,991 thousand as at 31 December 2015), reflects exchange rate differences arising from the translation of financial statements denominated in foreign currency. The change versus 31 December 2016 was negative in the amount of Euro 245,768 thousand; this reserve was heavily impacted by fluctuations in the GBP, the currency in which the merger dated 5 October 2015 was conducted.

- other reserves, equal to Euro 33,447 thousand as at 31 December 2016 (Euro 21,542 thousand as at 31 December 2015) include the fair value measurement of the stock options, equal to Euro 34,331 thousand as at 31 December 2016 (Euro 21,983 thousand as at 31 December 2015), the cash flow hedge reserve, equal to a negative value of Euro 824 thousand (negative in the amount of Euro 393 thousand as at 31 December 2015), and the reserve for actuarial gains and losses from the measurement of post-employment benefits, negative in the amount of Euro 60 thousand (negative at Euro 47 thousand as at 31 December 2015).

- retained earnings and losses reserve of Euro 66,900 thousand as at 31 December 2016 (Euro 50,358 thousand as at 31 December 2015), increased by Euro 16,609 thousand due to the allocation of profit for 2015 and a decrease for their allocation to the legal reserve (Euro 67 thousand).

8.24 STOCK OPTION PLANS AND COMPANY INCENTIVE PLANS

Granting of stock options

Following approval of the share-split at the Extraordinary Shareholders' Meeting of the Parent Company on 8 September 2009, beneficiaries of the 2004-2006, 2006-2008 and 2007-2012 Stock Option Plans exercising their options will be entitled to 52 ordinary shares of the Company for every option exercised. The 2015-2025 Stock Option Plan calls for a ratio of one share for every option exercised.

With reference to the following stock option plans reserved for employees, associates, consultants and directors of the Company and its subsidiaries, as at 31 December 2016 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	49,015	-	-	-	-
2003-2005	36,760	3,000	33,760	-	-	-	-
2004-2006	32,319	12,650	19,169	500	-	-	500
2006-2008	31,303	200	25,690	5,413	-	-	5,413
2007-2012	102,600	3,650	86,235	12,715	-	-	12,715
2009-2014	94,448	24,599	69,849	-	-	-	-
2012-2015	1,500,000	-	1,500,000	-	-	-	-
TOTAL	**1,878,005**	**75,659**	**1,783,718**	**18,628**	**-**	**-**	**18,628**

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

STRIKE PRICES IN EUROS	59.17	106.50	*TOTAL OPTIONS*	*TOTAL SHARES*
2004-2006	-	500	500	26,000
2006-2008	5,413	-	5,413	281,476
2007-2012	12,215	500	12,715	661,180
TOTAL	**17,628**	**1,000**	**18,628**	**968,656**

With reference to the "2015-2025 Stock Option Plan" approved by the Extraordinary Shareholders' Meeting on 16 December 2015, the Company's Board of Directors approved the Plan Regulations on the same date.

As at 31 December 2016, in relation to the 2015-2025 Stock Option Plan, the following option rights (in the ratio of 1 new ordinary share for every 1 option exercised) had been granted by the Board of Directors, on the proposal of the Compensation Committee, with the breakdown given in the table below:

STOCK OPTION PLAN	GRANTED (A)	EXPIRED (B)	EXERCISED (C)	TOTAL GRANTED, NOT EXPIRED OR NOT EXERCISED (D = A-B-C)	GRANTED, NOT VESTED	GRANTED, VESTED, NOT EXERCISABLE	GRANTED, VESTED AND EXERCISABLE
2015-2025	6,667,147	400,000	-	6,267,147	6,267,147	-	-
TOTAL	**6,667,147**	**400,000**	**-**	**6,267,147**	**6,267,147**	**-**	**-**

The table below shows the exact prices for the options assigned that have not expired or been exercised.
In accordance with the provisions of the Plan, the subscription price of each share corresponds to the arithmetic mean of official prices registered for ordinary shares of YNAP on the Electronic Stock Exchange, on days the market is open for trading in the period between the Option Grant Date and the date on which the Options are assigned in the previous calendar month.

Strike price for the period	Euro 23.614	Euro 25.983	Euro 26.969	Euro 32.466	Total options	Total shares
2015-2025	90,000	610,000	124,000	5,443,147	6,267,147	6,267,147
TOTAL	**90,000**	**610,000**	**124,000**	**5,443,147**	**6,267,147**	**6,267,147**

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

On 27 April 2012, the Shareholders' Meeting approved, pursuant to Article 114-*bis* of Legislative Decree, the establishment of an incentive and loyalty plan known as the Stock Grant Plan for employees of YOOX S.p.A. and the companies directly or indirectly controlled by it, to be implemented by the granting, free of charge, of a total of 550,000 ordinary shares in YOOX S.p.A., giving the Board of Directors the mandate to adopt the relative regulations.
At the document date, the plan had not been implemented.

On 16 December 2015, the Extraordinary Shareholders' Meeting approved, pursuant to Article 114-*bis* of Legislative Decree 58/1998, a new incentive and loyalty scheme known as the 2015-2025 Stock Option Plan reserved for directors, executives and employees of YNAP and companies directly or indirectly controlled by it, to be implemented through the free granting of options valid for subscribing new issue YNAP ordinary shares.
The Plan provides for the issue of up to 6,906,133 new YNAP ordinary shares, with no indication of nominal value, with the same characteristics as those outstanding and with regular dividend rights.
On the same date, the Board of Directors also approved the Plan Regulation.

Share capital increases to service stock option plans

On 16 December 2015, the Extraordinary Shareholders' Meeting approved the capital increase servicing the 2015-2025 Stock Option Plan, for a maximum nominal amount of Euro 69,061.33 through a capital contribution in one or more tranches,

pursuant to Article 2441, paragraphs 5 and 6 of the Italian Civil Code, and therefore with the exclusion of option rights, by issuing a maximum of 6,906,133 new YNAP ordinary shares, with no indication of nominal value, with the same characteristics as those outstanding and with regular dividend rights.
The deadline for subscription to the capital increase has been set as 31 December 2025, 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 Italian 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 that these resolutions have been filed with the Register of Companies.

8.25 MEDIUM-/-LONG-TERM FINANCIAL LIABILITIES - BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES

Bank loans and other financial liabilities stood at Euro 116,621 thousand, a decrease of Euro 14,047 thousand compared with 31 December 2015 (Euro 130,668 thousand).

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
MEDIUM-/LONG-TERM FINANCIAL LIABILITIES	98,982	101,219	2,236
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	17,639	29,450	11,811
TOTAL	**116,621**	**130,668**	**14,047**

The following table shows the breakdown of debt as at 31 December 2016:

LENDING INSTITUTION	REMAINING AMOUNT	RATE	SHORT-TERM PORTION	MEDIUM-/LONG-TERM PORTION
BANCA SELLA	1,250	EURIBOR + 2.3%	1,250	-
EIB	27,245	FIX (AVG. 1.66%)	8,999	18,246
SYNDICATE	75,000	EURIBOR + 0.85%	-	75,000
FACTOR (IFITALIA)	1,506	EURIBOR + VARIOUS%	1,506	-
FINANCIAL LEASES	11,616	FIXED	5,878	5,738
ACCRUED LIABILITIES	6		6	-
TOTAL	**116,621**		**17,639**	**98,982**

The summarised details of loan agreements and lines of credit stipulated in 2016 are given below:

Syndicated loans
On 4 August 2016, a loan agreement was signed for a total of Euro 200,000 thousand, with UniCredit Bank AG as agent bank. UniCredit S.p.A. and Banca Nazionale del Lavoro are participating as lending and arranging banks (in the amounts of Euro 28,125 thousand and Euro 20,625 thousand as at 31 December 2016 respectively); Mediocredito Italiano S.p.A. in the Intesa San Paolo Group is acting as a lending bank (Euro 26,250 thousand as at 31 December 2016); and Banca IMI S.p.A. is acting as an arranging bank. Disbursement of the medium-/long-term loan was broken down into two tranches to be used in accordance with the purposes stated in the loan.
The term tranche with a maximum principal amount of Euro 75,000 thousand ("Tranche A") was disbursed on 16 September 2016 solely to fully refinance existing credit facilities. This refinancing revoked the obligations of the lending banks in relation to the previous credit facilities. The first principal payment will be repaid as of 30 June 2018 and then half-yearly. IRS financial derivative contracts were signed with lending banks in relation to the disbursement of Tranche A.
With regard to Tranche B, the remaining amount to be disbursed will solely be used to cover Capex-related requirements.
For the purpose of calculating interest due, the period between the related Disbursement Date and Maturity Date (inclusive) was broken down into future six-month periods maturing on 30 June and 31 December of each year.
The interest rate is equal to the annual percentage resulting from the sum of Euribor for each interest period (subject to market fluctuations) and a margin of 0.85% p.a. However, the interest rate may not go below 0%.

For the entire term of the loan, the Company must comply with current financial covenants reported on 30 June and 31 December of each calendar year starting with the reference date of 31 December 2016.

COMMITMENTS OF A FINANCIAL NATURE (COVENANTS)

The Company, including for the purposes of Article 1461 of the Italian Civil Code, recognises that it is essential to comply with the financial covenants calculated on the basis of the consolidated financial statements in the name of YOOX NET-A-PORTER GROUP S.p.A., and acknowledges that the "Bank" can terminate the agreements if the financial situation reflected in the consolidated financial statements does not comply with any one of these covenants.

Below are the financial parameters for the loan agreed with Banca Nazionale del Lavoro, UniCredit and Banca Intesa:

1) the ratio between the net financial position and EBITDA excluding the incentive plans should not be more than 2.5 until the total loan repayment;

2) the ratio between the net financial position and the Shareholders' Equity should not be more than 1 times the total loan repayment.

The finance parameter for the loan taken out with the European Investment Bank is also provided:

1) the ratio between the net financial position and the EBITDA including the incentive plans should not be more than 2 times the total loan repayment;

2) the ratio between the net financial position and the Shareholders' Equity should not be more than 0.8 times the total loan repayment.

YOOX NET-A-PORTER GROUP S.p.A. will notify the "Banks" of the above financial parameters on a half-yearly basis, on 30 June and 31 December every year until the due date.
If any one of the above covenants is not complied with, YOOX NET-A-PORTER GROUP S.p.A., without prejudice to the right of the "Bank" to terminate the agreement, undertakes to reach an agreement with the "Bank", within 30 business days of the request, over the financial and management measures necessary to ensure that the covenants in question fall within the terms set, or, alternatively, to repay the loan in advance on the due date of the interest period in progress.

In relation to the aforementioned financing agreed, it should be noted that as at 31 December 2016, just as at 31 December 2015, the aforementioned financial parameters were complied with by the Group.

As at 31 December 2016, financing with other credit institutions is not governed by compliance with parameters of a financial and commercial nature.

Net financial position

The table below gives a breakdown of net financial position as at 31 December 2016:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
CASH AND CASH EQUIVALENTS	155,465	130,340	25,125
CURRENT FINANCIAL ASSETS	66,995	62,954	4,040
OTHER CURRENT FINANCIAL ASSETS	672	103	569
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	(17,639)	(29,450)	11,811
OTHER CURRENT FINANCIAL LIABILITIES	(1,809)	(645)	(1,164)
CURRENT NET FINANCIAL POSITION	**203,684**	**163,302**	**40,381**
MEDIUM-/-LONG-TERM FINANCIAL LIABILITIES	(98,982)	(101,219)	2,236
NET FINANCIAL POSITION[33]	**104,701**	**62,084**	**42,617**

In 2016, the Group's net financial position improved by Euro 42,617 thousand, rising from Euro 62,084 thousand as at 31 December 2015 to Euro 104,701 thousand as at 31 December 2016.

8.26 EMPLOYEE BENEFIT LIABILITIES

This item refers exclusively to the post-employment benefits recorded by the Parent Company in accordance with current legislation. Changes in defined benefit plans for employees in 2016 are summarised below:

DESCRIPTION	BALANCE AS AT 31 DECEMBER 2015	PROVISIONS	UTILISATION	BALANCE AS AT 31 DECEMBER 2016
EMPLOYEE BENEFITS	154	60	61	153
TOTAL	154	60	61	153

[33] 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 liabilities 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 supplemented including claims vs acquirers 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 employee benefits as at 31 December 2016 are summarised below:

ACTUARIAL ASSUMPTIONS USED FOR THE CALCULATIONS	
SURVIVAL TABLES	ISTAT SIM AND SIF TABLES FOR 2014
ANNUAL TURNOVER RATE	2.90%
LIKELIHOOD OF REQUESTS FOR SEVERANCE INDEMNITY ADVANCES	7.60%
ACTUALISATION RATE	1.31% (IBOXX CORPORATES AA € 10+)
INFLATION RATE	1.50%
% REQUESTS FOR ADVANCES	70.00%
NOMINAL REMUNERATION GROWTH RATE	1.50%

8.27 DEFERRED TAX LIABILITIES

The following tables show the breakdown of, and changes in, deferred tax liabilities as at 31 December 2016:

DESCRIPTION	BALANCE AS AT 31/12/2015	INCREASES	UTILISATION	BALANCE AS AT 31/12/2016
DEFERRED TAX LIABILITIES	6,924	77,140	(6,924)	77,140
TOTAL	6,924	77,140	(6,924)	77,140

DESCRIPTION OF TAXABLE ITEM	BALANCE AS AT 31/12/2016	2016 TAX RATE	TAX RECORDED IN 2016
POSITIVE FAIR VALUE (CFH) OF DERIVATIVES	738	24%	177
PPA – BRAND	287,851	20%	57,570
PPA – CL	54,253	20%	10,851
DEFERMENT - OTHER ITEMS	42,710	20%	8,542
TOTAL	385,552		77,140

8.28 PROVISIONS FOR CURRENT AND NON-CURRENT RISKS AND CHARGES

This item reflects provisions for estimated current liabilities as at 31 December 2016, the timing and extent of which cannot be determined. The following table shows the breakdown of the item and changes in 2016:

DESCRIPTION	BALANCE AS AT 31/12/2015	INCREASES	ADJUSTMENTS	UTILISATION	CHANGE IN SCOPE OF CONSOLIDATION	BALANCE AS AT 31/12/2016
PROVISION FOR THEFT AND LOSS	260	463	-	(260)	-	463
PROVISION FOR FRAUD	1,777	683	-	(1,777)	-	683
RISKS AND CHARGES FOR OTHER FUNDS	-	357	-	-	-	357
COMPLIANCE RISK	77,300	-	-	(14,886)	(8,579)	53,835
OPERATIONAL RISK	10,851	-	-	(6,898)	(543)	3,410
TOTAL PROVISIONS FOR CURRENT RISKS AND CHARGES	**90,188**	**1,502**	**-**	**(23,820)**	**(9,122)**	**58,748**

During the year, Euro 260 thousand from the provision for theft and loss was used, and it was therefore deemed appropriate to proceed with a further accrual of Euro 463 thousand, following a new estimate.

During the year, Euro 1,777 thousand was utilised from the provision for fraud and it was therefore deemed appropriate to proceed with a further accrual of Euro 683 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.

8.29 TRADE PAYABLES

The following table shows a breakdown of trade payables as at 31 December 2016:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
DUE TO SUPPLIERS	300,971	269,031	31,940
CREDIT NOTES TO BE RECEIVED FROM SUPPLIERS	(4,241)	(6,013)	1,772
INVOICES TO BE RECEIVED FROM SUPPLIERS	99,803	88,030	11,773
DUE TO CREDIT CARD OPERATORS	2,879	2,211	668
TOTAL	**399,412**	**353,259**	**46,153**

During the year, trade payables went from Euro 353,259 thousand as at 31 December 2015 to Euro 399,412 thousand as at 31 December 2016, a rise of more than 13.1% due essentially to the business acquired during the merger and higher sales volumes.

Trade payables are all payables relating to the purchase of goods and services from Group suppliers. Payables are recorded at their nominal value. Since all payables fall due within one year, none are subject to discounting. "Trade payables" includes all amounts due to suppliers, both for the supply of finished products and raw materials, and for the supply of intangible assets.

8.30 TAX LIABILITIES

Current tax liabilities relate exclusively to the current income tax liability, net of payments on account.

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
CURRENT INCOME TAX LIABILITY	24,192	29,683	(5,491)
TOTAL	**24,192**	**29,683**	**(5,491)**

In 2016, this figure decreased by Euro 5,491 thousand from Euro 29,683 thousand as at 31 December 2015 to Euro 24,192 thousand as at 31 December 2016.

8.31 OTHER SHORT-, MEDIUM- AND LONG-TERM PAYABLES

The following table shows a breakdown of other payables as at 31 December 2016:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
DUE TO SOCIAL SECURITY INSTITUTIONS	4,485	3,560	925
CREDIT NOTES TO BE ISSUED TO CUSTOMERS	67,085	72,052	(4,967)
DUE TO DIRECTORS	679	711	(32)
DUE TO EMPLOYEES	25,794	24,107	1,687
DUE TO TAX REPRESENTATIVES	9,828	10,795	(967)
OTHER PAYABLES	27,944	26,660	1,284
ACCRUED EXPENSES AND DEFERRED INCOME	5,173	11,014	(5,841)
TOTAL	**140,988**	**148,899**	**(7,911)**

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 relate to payables that will definitely arise for returns on sales made in 2016. The increase in this item was due to the increase in sales volume in 2016 compared with the previous period.

The item "Due to tax representatives" reflects indirect tax liabilities. Sales carried out in European countries during 2016 and 2015 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.

Note that, as at 31 December 2016, the Group recognised other medium-/long-term payables in the amount of Euro 8,367 thousand (Euro 7,926 as at 31 December 2015), due to the straight lining of operating leases held by THE NET-A-PORTER GROUP.

CONSOLIDATED STATEMENT OF CASH FLOWS

8.32 NET INCOME FOR THE YEAR, TAXES FOR THE YEAR AND INCOME TAXES PAID

Details of consolidated net income for the year, taxes for the year, depreciation and amortisation and other non-monetary income statement items are provided in Notes 8.3, 8.4, 8.5, 8.9, 8.10, 8.11, 8.12, 8.13 and 8.14 respectively.

In relation to the income tax allocated in 2016 of Euro 14,565 thousand (Euro 4,993 thousand in 2015), tax payments amounting to Euro 15,229 thousand were made (Euro 17,358 thousand in 2015) relating to tax outstanding for the previous year and payments on account, calculated in accordance with the respective tax regulations in force in the various countries where the Group operates.

8.33 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.

8.34 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 relating to cash generated by or used in investing activities.

8.35 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.

8.36 OUTLAYS FOR INVESTMENTS IN 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.

8.37 OUTLAYS FOR INVESTMENTS IN OTHER INTANGIBLE ASSETS

Cash flow for the acquisition of other intangible assets relates to investments in licences and software and the capitalisation of development costs (for a breakdown of these, see Note 8.13). Capitalisations are classified among cash flow generated by/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.

8.38 OUTLAYS FOR INVESTMENTS IN ASSOCIATES

No cash was used by the investment in the associate E_Lite.

8.39 OUTLAYS FOR INVESTMENTS AND PROCEEDS FROM DISPOSALS OF OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets increased by Euro 2,101 thousand compared with the previous year.

8.40 PROCEEDS FROM INCREASES IN SHARE CAPITAL AND THE SHARE PREMIUM RESERVE

For information on total receipts for increases in share capital and the share premium reserve, please see Note 8.23 "Equity attributable to owners of the Parent Company".

8.41 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 8.25.

8.42 ARRANGEMENT AND REPAYMENT OF SHORT-TERM FINANCIAL LIABILITIES

The change in short-term bank exposure is included in the change in short-term financial liabilities, since these are forms of short-term borrowing, as described in Note 8.25.

9. DISCLOSURE OF FINANCIAL RISKS

A. *Accounting classification and fair value*

The table below shows the carrying amount and fair value of each financial asset and liability, as well as the relative fair value hierarchy level.

31 DECEMBER 2016		CARRYING VALUE						FAIR VALUE			
THOUSANDS OF EUROS	NOTES	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE RECORDED IN INCOME STATEMENT	FAIR VALUE - HEDGING INSTRUMENTS	FINANCIAL LIABILITIES AT FAIR VALUE RECORDED IN INCOME STATEMENT	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS											
OTHER NON-CURRENT FINANCIAL ASSETS		2,837	-	-	-	-	**2,837**	-	-	-	**-**
TRADE RECEIVABLES		32,387	-	-	-	-	**32,387**	-	-	-	**-**
OTHER CURRENT ASSETS		47,499	-	672	-	-	**48,171**	-	672	-	**672**
CASH AND CASH EQUIVALENTS		155,465	-	-	-	-	**155,465**	-	-	-	**-**
TOTAL FINANCIAL ASSETS		**238,188**	**-**	**672**	**-**	**-**	**238,860**	**-**	**672**	**-**	**672**
FINANCIAL LIABILITIES											
BANK OVERDRAFTS		-	-	-	-	(2,756)	**(2,756)**	-	-	-	**-**
GUARANTEED BANK LOANS		-	-	-	-	-	**-**	-	-	-	**-**
NON-GUARANTEED BANK LOANS		-	-	-	-	(102,249)	**(102,249)**	-	(102,249)	-	**(102,249)**
LIABILITIES FOR FINANCIAL LEASES		-	-	-	-	(11,616)	**(11,616)**	-	(11,616)	-	**(11,616)**
TRADE PAYABLES		-	-	-	-	(399,412)	**(399,412)**	-	-	-	**-**
OTHER LIABILITIES		-	-	(1,809)	-	(139,179)	**(140,988)**	-	(1,809)	-	**(1,809)**
TOTAL FINANCIAL LIABILITIES		**-**	**-**	**(1,809)**	**-**	**(655,212)**	**(657,021)**	**-**	**(115,674)**	**-**	**(115,674)**

31 DECEMBER 2015		CARRYING VALUE						FAIR VALUE			
THOUSANDS OF EUROS	NOTES	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE RECORDED IN INCOME STATEMENT	FAIR VALUE - HEDGING INSTRUMENTS	FINANCIAL LIABILITIES AT FAIR VALUE RECORDED IN INCOME STATEMENT	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS											
OTHER NON-CURRENT FINANCIAL ASSETS		3,100	-	-	-	-	**3,100**	-	-	-	**-**
TRADE RECEIVABLES		31,292	-	-	-	-	**31,292**	-	-	-	**-**
OTHER CURRENT ASSETS		34,687	-	103	-	-	**34,790**	-	103	-	**103**
CASH AND CASH EQUIVALENTS		130,340	-	-	-	-	**130,340**	-	-	-	**-**
TOTAL FINANCIAL ASSETS		**199,419**	**-**	**103**	**-**	**-**	**199,522**	**-**	**103**	**-**	**103**
FINANCIAL LIABILITIES											
BANK OVERDRAFTS		-	-	-	-	(10,209)	**(10,209)**	-	-	-	**-**
GUARANTEED BANK LOANS		-	-	-	-	-	**-**	-	-	-	**-**
NON-GUARANTEED BANK LOANS		-	-	-	-	(117,846)	**(117,846)**	-	(117,846)	-	**(117,846)**
LIABILITIES FOR FINANCIAL LEASES		-	-	-	-	(2,613)	**(2,613)**	-	(2,613)	-	**(2,613)**
TRADE PAYABLES		-	-	-	-	(353,259)	**(353,259)**	-	-	-	**-**
OTHER LIABILITIES		-	-	(645)	-	(156,180)	**(156,825)**	-	(645)	-	**(645)**
TOTAL FINANCIAL LIABILITIES		**-**	**-**	**(645)**	**-**	**(640,107)**	**(640,752)**	**-**	**(121,104)**	**-**	**(121,104)**

B. Hierarchical levels of fair value measurement

In order to determine the fair value of financial instruments, the Group relies on measurement techniques based on observable market parameters (Mark to model), which are therefore included in level 2 of the fair value hierarchy identified in IFRS 13.

IFRS 13 identifies a hierarchy of measurement techniques based on three levels:

- Level 1: inputs are quoted prices in markets for identical assets or liabilities;
- Level 2: inputs are those other than quoted market prices included within Level 1 that are observable for the financial asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are unobservable; used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability.

When it chooses its measurement techniques, the Group adheres to the following hierarchy:

a) use of prices found in markets, even if they are inactive, of identical instruments (Recent Transactions) or similar instruments (Comparable Approach);

b) use of measurement techniques based primarily on observable market parameters;

c) use of measurement techniques based primarily on unobservable market parameters.

The Company has adopted procedures to assess the fair value of assets and liabilities using measurement techniques based on observable market parameters.

The Company determined the fair value of the derivatives in place as at 31 December 2016 using generally accepted measurement techniques for instruments of the type used by the Group.

The models applied for the measurement of instruments require calculations through the Bloomberg info provider. The input data used in the models are primarily observable market parameters (Euro, Yen and Dollar interest rate curve and official exchange rates at the measurement date) acquired from the Bloomberg info provider.

In 2016, there were no transfers from Level 1 to Level 2 or vice versa.

C. Financial risk management

The Group is exposed to the following risks deriving from the use of financial instruments:

- Credit risk, in relation to normal commercial dealings with customers as well as financing activities;
- Liquidity risk, in relation to the availability of financial resources and access to the credit and financial instruments market;
- Market risk, in relation to fluctuations in interest rates and exchange rates between the euro and the other currencies used by the Group.

The Group's risk management policies aim to identify and analyse the risks to which the Group is exposed, establish appropriate limits and controls and monitor risks and compliance with those limits. These policies and the relative systems are revised on a regular basis to reflect any changes in market conditions and Group activities.

CREDIT RISK

Credit risk is the risk that a customer or financial instrument counterparty may cause a financial loss by not meeting a contractual obligation, and derives primarily from the Group's trade receivables and debt securities.
The carrying amount of financial assets represents the Group's maximum exposure to credit risk. 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.

CREDIT RISK WITH COMMERCIAL COUNTERPARTIES

Due to the type of business carried out by the Group, credit risk exposure is limited as collections take place at the time of sale (payments by credit card) or upon delivery in the case of payment on delivery of the merchandise (COD).
Credit risk related to any problem accounts subject to legal action or to overdue accounts is monitored centrally and reported each month.

CREDIT RISK WITH FINANCIAL COUNTERPARTIES

In relation to the credit risk deriving from other financial assets other than trade receivables, theoretical credit risk for the Group arises from the breach of a counterparty with a maximum exposure that is equal to the carrying amount of the financial asset recognised in the financial statements, as well as the nominal value of guarantees given on third-party debt or commitments specified in paragraph 11 of the notes. The Group has policies in place that limit the amount of credit exposure to the various banks.
The YOOX NET-A-PORTER GROUP has obtained lines of credit from leading Italian and international banks of high standing. Insofar as the Group is aware, there are no potential losses deriving from the impossibility of financial counterparties to meet their contractual obligations of a significant or appreciable amount.

LIQUIDITY RISK

Liquidity risk derives from possible difficulties in obtaining financial resources at an acceptable cost to conduct the Group's normal operating activities.
The factors that determine the liquidity situation of the Group 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 Group 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 Company is present;
- maintenance of a suitable level of cash on hand;
- diversified use of tools to procure financial resources and a continuous and active presence on capital markets;
- obtaining adequate credit lines to create a suitable debt structure to best use, within the agreed short- or long-term period, the financial resources granted by the lending system;
- monitoring of future liquidity conditions with reference to the company planning process.

Management considers the funds currently available, in addition to the funds that will be generated from operating and financing activities, sufficient to allow the Parent Company to meet its requirements arising from investment activities, the management of working capital and the repayment of debts upon maturity.

In 2016, the Group met all economic and financial parameters set forth in the covenants of its outstanding loan agreements.

The table below provides an analysis of the contractual maturities, which also include interest, for financial liabilities.

NON-DERIVATIVE FINANCIAL LIABILITIES	CONTRACTUAL CASH FLOWS								
AMOUNTS IN THOUSANDS OF EUROS	CARRYING VALUE	TOTAL	WITHIN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-3 YEARS	3-4 YEARS	4-5 YEARS	MORE THAN 5 YEARS
BANK OVERDRAFTS	2,756	2,756	2,756	-	-	-	-	-	-
GUARANTEED BANK LOANS	-	-	-	-	-	-	-	-	-
NON-GUARANTEED BANK LOANS	102,249	102,249	4,495	4,509	30,516	30,599	21,435	10,695	-
LIABILITIES FOR FINANCIAL LEASES	11,616	11,616	2,972	2,906	3,306	2,432	-	-	-
TRADE PAYABLES	399,412	399,412	399,412	-	-	-	-	-	-

DERIVATIVE FINANCIAL LIABILITIES	CONTRACTUAL CASH FLOWS								
AMOUNTS IN THOUSANDS OF EUROS	CARRYING VALUE	TOTAL	WITHIN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-3 YEARS	3-4 YEARS	4-5 YEARS	MORE THAN 5 YEARS
HEDGING INTEREST RATE SWAP	(654)	(654)	(654)	-	-	-	-	-	-
HEDGING FORWARD CONTRACTS ON FOREIGN EXCHANGE	(483)	(483)	(483)	-	-	-	-	-	-

Cash inflows/(outflows) in the table above reflect the non-discounted contractual cash flows relating to derivative financial liabilities held for risk management purposes which, in general, are not settled before the agreement maturity date. The financial statement disclosures present net cash flows, if they relate to derivative financial instruments that establish net settlement in cash of the spread and gross inflows and outflows, if they relate to derivative financial instruments that establish simultaneous gross payments in cash.
The interest to be paid on variable rate loans and on bond issues specified in the table reflects the forward market interest rate at year-end and is influenced by changes in market rates. Future cash flows relating to the potential payment and derivative financial instruments could differ from the amount reported in the tables if the interest and exchange rates or the conditions of the underlying asset change. With the exception of these financial liabilities, the cash flows included in the maturities analysis are not expected to arise significantly in advance of the date expected or with considerably different amounts.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument could fluctuate as a result of changes in market prices, due to changes in exchange rates, interest rates or equity instrument prices. The objective of market risk management is to manage and control the Group's exposure to that risk within acceptable levels, while also optimising the return on investments.
For the YOOX NET-A-PORTER-GROUP, market risk arises in the form of currency and interest rate risk.

CURRENCY RISK

The Group is exposed to currency risk when sales, purchases and loans are expressed in a currency other than the functional currencies of each Group entity which are, primarily, the Euro, the UK pound and the US dollar. The Group is principally exposed towards the US dollar, the UK pound, the Japanese yen and, only to a marginal extent, the Chinese renminbi.
At all times, the Group covers the estimated exposure to changes in exchange rates with respect to expected sales over the next 12 months. In 2016, this exposure is hedged using US dollar and Japanese yen forward sale agreements and collar options on US dollars and Japanese yen entered into with leading domestic and international credit institutions with which the Group works on a daily basis.
All currency forward sale agreements and collar options have a term of less than one year after year-end close.
The Group companies are located in countries not belonging to the European Monetary Union, specifically the UK, the United States, Japan, China and Hong Kong. Since 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. 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 item "Translation reserve".

The table below summarises the quantitative data of the Group's exposure to currency risk:

VALUES IN THOUSANDS OF EUROS	31 DECEMBER 2016						
	USD	JPY	GBP	CNY	AUD	HKD	CAD
TRADE RECEIVABLES	2,170	-	1,020	-	97	-	31
OTHER CURRENT FINANCIAL ASSETS	1,467	-	5,667	-	26	-	-
TRADE PAYABLES	(24,973)	(1,298)	(32,776)	(64)	(162)	(3,489)	(396)
CASH AND CASH EQUIVALENTS	10,043	7,316	15,885	2,008	1,871	110	-
NET EXPOSURE IN THE STATEMENT OF FINANCIAL POSITION	(11,293)	6,018	(10,204)	1,943	1,832	(3,378)	(365)
HEDGING CONTRACTS	(873)	390	-	-	-	-	-
NET EXPOSURE	(12,166)	6,408	(10,204)	1,943	1,832	(3,378)	(365)

VALUES IN THOUSANDS OF EUROS	31 DECEMBER 2015						
	USD	JPY	GBP	CNY	AUD	HKD	CAD
TRADE RECEIVABLES	1,380	-	2,027	-	19	-	-
OTHER CURRENT FINANCIAL ASSETS	788	-	7,342	-	1,641	-	-
TRADE PAYABLES	(19,445)	(1,087)	(25,564)	(1)	(137)	(4,608)	-
CASH AND CASH EQUIVALENTS	5,683	171	13,251	1,474	1,772	6,427	-
NET EXPOSURE IN THE STATEMENT OF FINANCIAL POSITION	(12,383)	(916)	(10,286)	1,473	1,655	1,819	-
HEDGING CONTRACTS	91	(350)	-	-	-	-	-
NET EXPOSURE	(12,292)	(1,266)	(10,286)	1,473	1,655	1,819	-

The currency risk has been measured using a sensitivity analysis and the potential effects of exchange rate fluctuations on the consolidated financial statements as at 31 December 2016 have been analysed.
An appreciation (depreciation) in the Euro, and in the GBP, USD and JPY currencies with respect to all other currencies, would have had effects on the measurement of financial instruments expressed in foreign currency and involved an increase (decrease) in consolidated shareholders' equity and consolidated profit for the year in the amounts shown in the following table. This

analysis presupposes that all other variables, particularly interest rates, remain the same, and does not consider the effects of expected sales and acquisitions.

	PROFIT/(LOSS) FOR THE FISCAL YEAR		SHAREHOLDERS' EQUITY	
VALUES IN THOUSANDS OF EUROS	APPRECIATION	DEPRECIATION	APPRECIATION	DEPRECIATION
31 DECEMBER 2016				
USD (5% CHANGE)	538	(594)	42	(46)
JPY (5% CHANGE)	(287)	317	(19)	21
GBP (5% CHANGE)	486	(537)	-	-
CNY (5% CHANGE)	(93)	102	-	-
AUD (5% CHANGE)	(87)	96	-	-
HKD (5% CHANGE)	161	(178)	-	-
CAD (5% CHANGE)	17	(19)	-	-
31 DECEMBER 2015				
USD (5% CHANGE)	590	(652)	(4)	5
JPY (5% CHANGE)	44	(48)	17	(18)
GBP (5% CHANGE)	490	(541)	-	-
CNY (5% CHANGE)	(70)	78	-	-
AUD (5% CHANGE)	(79)	87	-	-
HKD (5% CHANGE)	(87)	96	-	-
CAD (5% CHANGE)	-	-	-	-

INTEREST RATE RISK

Interest rate risk arises when a change in interest rates adversely affects performance for the year.
Funding and credit lines available to the YOOX NET-A-PORTER GROUP are indexed to the Euribor, and therefore the Group is exposed to an increase in interest rates. In 2016, the Group decided to manage interest rate risk through recourse to Interest Rate Swap agreements hedging medium-/long-term loans.

The following table presents a quantitative overview of the Group's exposure to interest rate risk:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015
FINANCIAL RECEIVABLES	66,995	62,954
FINANCIAL LIABILITIES	(116,621)	(130,668)
CASH IN CURRENT ACCOUNTS	155,465	130,340
NET EXPOSURE IN THE STATEMENT OF FINANCIAL POSITION	**105,839**	**62,626**
HEDGING CONTRACTS	(1,138)	(542)
NET EXPOSURE	**104,701**	**62,084**

Interest rate risk is measured through the sensitivity analysis and the potential effects of fluctuations in interest rates on the consolidated financial statements as at 31 December 2016 were analysed. If interest rates changed by 100 bp at the year-end, shareholders' equity and the profit / (loss) for the year would increase or decrease by the amounts given in the table below. The analysis was conducted assuming that other variables, especially exchange rates, remained constant.

	PROFIT/(LOSS) FOR THE FISCAL YEAR		SHAREHOLDERS' EQUITY	
VALUES IN THOUSANDS OF EUROS	100 BP INCREASE	100 BP DECREASE	100 BP INCREASE	100 BP DECREASE
31 DECEMBER 2016				
VARIABLE RATE FINANCIAL INSTRUMENTS	-	-	258	(734)
INTEREST RATE SWAP	-	-	1,819	(1,457)
CASH FLOW SENSITIVITY (NET)	-	-	2,077	(2,191)
31 DECEMBER 2015				
VARIABLE RATE FINANCIAL INSTRUMENTS	-	-	289	(292)
INTEREST RATE SWAP	-	-	1,620	(1,704)
CASH FLOW SENSITIVITY (NET)	-	-	1,909	(1,997)

The following table shows transactions outstanding as at 31 December 2016 and 31 December 2015 and the related fair values:

FINANCIAL INSTRUMENT	NATURE OF HEDGED RISK	NOTIONAL VALUE		FAIR VALUE DERIVATIVES		CURRENT FINANCIAL ASSETS		CURRENT FINANCIAL ASSETS	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
HEDGING TRANSACTIONS									
FORWARD SALES	CHANGE	50,518	29,207	(483)	103	(483)	103	-	-
IRS	INTEREST RATE	76,250	73,737	(654)	(645)	-	-	(654)	(645)
TOTAL		126,768	102,944	(1,137)	542	(483)	103	(654)	(645)

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 2016, the Group put cash flow hedges into place in relation to a highly likely planned transaction.

The financial instruments in place as at 31 December 2016 are forward contracts stated at fair value in the equity reserve, as set out in IFRS.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

Measured at amortised cost: 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 remeasured 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.

10. INFORMATION PURSUANT TO IAS 24 ON MANAGEMENT REMUNERATION AND ON RELATED PARTIES

Related-party transactions, as defined under IAS 24, as at 31 December 2016 and as at 31 December 2015 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.

10.1 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 consolidated financial statements as at 31 December 2016 and 31 December 2015.

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

1. supply of products to the subsidiaries intended for sale on the US, Japanese, Asia Pacific and Chinese online stores;

2. maintenance, support and update services for the subsidiaries' websites;

3. administrative, financial and legal services provided for the subsidiaries;

4. customer service support services provided for the subsidiaries;

5. consulting and support services in the area of fashion, marketing, advertising and professional training provided for the subsidiaries.

The relationships between the Group companies and related parties are not 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 indicate receivables and payables among Group companies as at 31 December 2016 and as at 31 December 2015. Receivables and payables related to subsidiaries are expressed in USD, JPY, CNY, HDK and GBP and translated into Euros at the year-end exchange rate. Revenue and costs are expressed in USD, JPY, CNY, HKD and GBP and translated into EUR at the average exchange rate for the year in question.

31 December 2016

	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUE	COSTS
YNAP GROUP S.P.A.	59,234	3,109	4,062	2,878	179,000	4,873
YNAP CORPORATION	4,351	-	43,688	8,107	58,939	170,600
YOOX JAPAN	99	819	8,006	-	130	40,134
MISHANG TRADING (SHANGHAI)	17	-	17,200	1,752	17	8,546
YOOX ASIA LTD	1	2,059	7,049	-	19	25,889
LARGENTA LIMITED (UK)	-	-	-	-	-	-
THE NET-A-PORTER GROUP LIMITED (UK)	49,646	7,752	8,070	937	96,184	73,390
NET-A-PORTER INTERNATIONAL LIMITED (UK)	137	-	-	-	-	145
THE NET-A-PORTER GAP (HK)	3,316	-	25,638	61	10,127	23,155
THE NET-A-PORTER GROUP CHINA (PRC)	792	-	3,880	4	2,316	-
TOTAL SUBSIDIARIES	**117,593**	**13,739**	**117,593**	**13,739**	**346,732**	**346,732**

31 December 2015

	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUE	COSTS
YNAP GROUP S.P.A.	36,293	1,990	105	2,754	147,670	154
YNAP CORPORATION	81	-	14,385	-	113	93,186
YOOX JAPAN	17	767	7,835	-	22	29,639
MISHANG TRADING (SHANGHAI)	-	-	9,581	1,991	7	7,269
YOOX ASIA LTD	5	1,988	4,490	-	12	17,576
LARGENTA LIMITED (UK)	-	-	-	-	-	-
THE NET-A-PORTER GROUP LIMITED (UK)	15,171	88,387	56,738	-	8,962	54
NET-A-PORTER INTERNATIONAL LIMITED (UK)	-	12	-	3,858	-	59
THE NET-A-PORTER GROUP LLC (USA)	56,726	595	-	81,892	20	5,826
THE NET-A-PORTER GAP (HK)	-	-	15,151	2,649	49	3,642
THE NET-A-PORTER GROUP CHINA (PRC)	-	-	-	595	550	-
TOTAL SUBSIDIARIES	**108,285**	**93,739**	**108,285**	**93,739**	**157,405**	**157,405**

10.2 REMUNERATION OF SENIOR MANAGERS AND OTHER KEY PERSONS WITHIN THE GROUP

The senior management and key persons with strategic responsibility for management, planning and administration in the Group are, in addition to executive and non-executive directors, the Chief Financial Officer, General Manager, Chief Operating Officer and Co-General Manager.

The gross annual remuneration of the above persons, inclusive of all forms of remuneration (including gross pay, bonuses and fringe benefits), as well as bonuses accrued but not paid out that are subject to the achievement of long-term objectives, are reported in the following table together with the fees of the members of the Board of Statutory Auditors:

31 December 2016

DESCRIPTION	SHORT-TERM BENEFITS	LONG-TERM BENEFITS	STOCK OPTION PLANS AND COMPANY INCENTIVE PLANS
DIRECTORS	2,163	1,000	6,655
STATUTORY AUDITORS	71		
MANAGEMENT PERSONNEL WITH STRATEGIC RESPONSIBILITIES	1,462	65	1,056
TOTAL	**3,696**	**1,065**	**7,712**

31 December 2015

DESCRIPTION	SHORT-TERM BENEFITS	LONG-TERM BENEFITS	STOCK OPTION PLANS AND COMPANY INCENTIVE PLANS
DIRECTORS	2,793	800	1,261
STATUTORY AUDITORS	71	-	-
MANAGEMENT PERSONNEL WITH STRATEGIC RESPONSIBILITIES	1,547	58	37
TOTAL	**4,411**	**858**	**1,298**

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.

10.3 TRANSACTIONS WITH OTHER RELATED PARTIES

The following tables list the main financial and commercial relationships between the companies of the Group and related parties other than Group companies, as at 31 December 2016 and as at 31 December 2015, excluding intra-Group relationships, which are described above. Commercial transactions with these entities are carried out under normal market conditions, and all transactions are carried out in the interests of the Group.

31 December 2016

DESCRIPTION	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUE	COSTS
GATTI PAVESI BIANCHI STUDIO LEGALE ASSOCIATO	-	-	574	-	-	1,574
BIZMATICA SISTEMI S.P.A.	-	-	19	-	-	330
JC ACCOUNTING KK (FORMERLY KK TPI)	-	-	10	-	-	100
NAGAMINE MISHIMA ACCOUNTING OFFICE	-	-	3	-	-	30
TARTER KRINSKY E DROGIN LLP	-	-	161	-	-	365
RICHEMONT INTERNATIONAL SA	-	-	24	-	-	24
RICHEMONT NORTH AMERICA INC	-	-	141	-	-	3,689
RICHEMONT ITALIA SPA	-	-	1,904	-	-	3,761
PETER MILLAR LLC	-	-	51	-	-	75
AZZEDINE ALAIA SAS	-	-	1,444	-	-	3,162
ALFRED DUNHILL LIMITED	15	-	-	-	334	273
CHLOE' INTERNATIONAL SAS	7	-	1,779	-	292	8,829
MONTBLANC NORTH AMERICA LLC	-	-	8	-	-	92
MONTBLANC SIMPLO GMBH	-	-	8	-	-	261
MONTBLANC ITALIA SRL	20	-	127	-	65	149
E_ LITE S.P.A.	14	-	12,051	-	19,930	-
TOTAL RELATED PARTIES	56	-	18,304	-	20,621	22,714

31 December 2015

DESCRIPTION	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUE	COSTS
STUDIO LEGALE ASSOCIATO D'URSO GATTI E BIANCHI	-	-	25	-	-	3,913
BIZMATICA SISTEMI S.P.A.	-	-	190	-	-	297
JC ACCOUNTING KK (FORMERLY KK TPI)	-	-	15	-	-	79
NAGAMINE ACCOUNTING	-	-	4	-	-	21
TARTER KRINSKY E DROGIN LLP	-	-	59	-	-	477
RICHEMONT INTERNATIONAL SA	-	-	-	-	-	73
RICHEMONT NORTH AMERICA INC	-	-	1,735	-	1,018	1,236
PETER MILLAR INC	-	-	-	-	9	-
AZZEDINE ALAIA SAS	-	-	444	-	456	487
ALFRED DUNHILL LIMITED	90	-	97	-	259	40
CHLOE' INTERNATIONAL SAS	-	-	1,576	-	1,349	1,632
MONTBLANC NORTH AMERICA LLC	79	-	-	-	40	85
MONTBLANC SIMPLO GMBH	-	-	107	-	93	38
E_LITE	72	240	9,216	-	16,271	-
TOTAL RELATED PARTIES	**241**	**240**	**13,468**	**-**	**19,495**	**8,378**

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

- Studio Legale D'Urso Gatti e Associati: a partner in the law firm is a director of the Parent;
- Tarter Krinsky and Drogin LLP: a partner in the law firm is a member of the Board of Directors of one of the Group's companies (YNAP Corporation);
- KK TPI and Nagamine Accounting Office: the owner of both consultancy firms is a member of the Board of Directors of a Group company (YOOX Japan);
- Bizmatica Sistemi S.p.A.: the chairman of the company is the son of a member of the Board of Directors of a Group company (YOOX S.p.A.);
- E_lite: it is a 49% owned subsidiary.
- Richemont International SA: it is a company belonging to the Richemont Group;
- Alfred Dunhill Limited, Chloè International S.A.S., Azzedine Alaia S.A.S., Montblanc North America LLC, Montblanc Simplo Gmbh, Montblanc Italia S.r.l., Peter Millar Inc., Richemont North America Inc., Richemont Italia S.p.A.: they are suppliers of brand goods belonging to the Richemont Group.

None of the transactions that took place with related parties in 2016 and 2015 was significant (except as mentioned above), atypical and/or unusual.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

COMMITMENTS AND GUARANTEES

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015
THIRD-PARTY ASSETS HELD BY THE GROUP	167,029	157,480
SURETIES GIVEN TO OTHERS	6,400	7,418
COMMITMENTS UNDER HEDGING CONTRACTS (NOMINAL VALUE)	126,768	102,944

The companies' warehouses hold goods worth Euro 167,020 thousand received on a sale-or-return basis from YNAP's partners. The decrease compared with the previous fiscal year was due exclusively to the increase in sales in the last quarter of the mono-brand online stores that store goods at our warehouses.

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

- the contract agreed by the Parent Company with SINV, with effect from 12 May 2015, for a period of nine months, which may be renewed at the end of the contract, for the rental of office premises in Milan. The surety amounts to Euro 356,526.50 and will expire on 1 January 2019;
- the contract agreed by the Company with Oslavia, with effect from 19 September 2014 for a period of six years, for the rental of office premises in Via Lombardini, Milan. The surety amounts to Euro 20,934.15 and expires on 31 July 2020;
- the contract concluded by the Company following the repayment of the Global Collect guarantee deposit of Euro 1,200,000, after UniCredit issued a bank guarantee for the same amount, expiring on 30 June 2017;
- the contract agreed with Logistica Bentivoglio S.r.l. with effect from 28 December 2010 and expiring on 31 December 2017 to guarantee compliance with obligations under the rental agreement for the warehouse at the Bentivoglio Blocco 9.5 Interporto for Euro 564,052;
- the contract agreed by the Company with Despina S.p.A. to guarantee compliance with obligations under a rental contract with effect from 12 February 2015, relating to office premises at Via Nannetti 1 in Zola Predosa. The amount of the surety is Euro 400,000 expiring on 1 February 2018;
- the contract agreed with Geodis Logistic S.p.A. with effect from 13 February 2013 and expiring on 30 January 2019 to guarantee compliance with obligations under the rental agreement for the warehouse and offices at the Interporto for Euro 103,621;
- the contract agreed with Generali Italia Immobiliare, with effect from 25 July 2013 and expiring on 13 September 2019, for the rental of office space in Casalecchio di Reno in via del Lavoro. The amount of the surety is Euro 31,140.
- the contract agreed with Vailog S.r.l. to guarantee compliance with obligations under the rental agreement for the warehouse and offices at the freight depot with effect from 04 November 2016 and expiring on 30 November 2025. The amount of the surety is Euro 224,000.
- Guarantee line with HSBC on YNAP Corporation group company warehouses totalling Euro 2,343 thousand, effective as of September 2016 and expiring in September 2023.
- Guarantee line with HSBC on the company warehouses of THE NET-A-PORTER GROUP Asia Pacific Ltd group for Euro 1,156 thousand, starting September 2015 and expiring in September 2021.

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 50,518 thousand;

- Interest Rate Swaps signed by the Parent Company to hedge the interest rate risk related to the medium-/long-term loan agreed for financing the new techno-logistics platform. The nominal amount of commitments at the reporting date is Euro 76,250 thousand.

12. SUBSEQUENT EVENTS

IN-SEASON MULTI-BRAND

The beginning of the new year saw major additions to the unmatchable portfolio of In-Season brands, with the launch of the ready-to-wear range by Alaïa exclusive to NET-A-PORTER in January 2017, which completed the existing range of shoes, bags and other accessories. In February 2017, the first menswear collection by Stella McCartney was also introduced on MR PORTER.
Furthermore, following the debut in 2016 of the "T collection" by Tiffany, Tiffany & Co. and NET-A-PORTER – the only online retail partner authorised for Tiffany & Co. Jewellery – the scope of their global partnership was extended through the Infinity jewellery collection and Tiffany & Co. watches, available from January 2017.

OFF-SEASON MULTI-BRAND

In line with the strategy for expanding the supply of products, in January 2017, THE OUTNET launched The Activewear Boutique, a dedicated section of the online store with a curated selection of clothing, accessories and performance footwear, all accompanied by editorial content from sector insiders.

ONLINE FLAGSHIP STORES

YOOX NET-A-PORTER GROUP continued to implement its dynamic management strategy of its mono-brand portfolio, aimed at profitability.
The Group further strengthened its omni-channel capacity for its Brand partners, in order to enable their end consumers to benefit from an integrated offline and online experience: specifically, the Group is laying the groundwork for launching its first new-generation omni-channel partnership for one of the Group's brand partners. YOOX NET-A-PORTER GROUP also continued to release existing innovative omni-channel features to a larger number of online flagship stores, including Click from store, Check online in-store availability, Click & collect and Return in store for Moncler.
YOOX NET-A-PORTER GROUP S.p.A. and Diesel S.p.A (part of OTB group) jointly decided to terminate the Diesel online store management agreement at the end of March and to refocus on the partnership between Diesel and YNAP on YOOX.COM. Diesel.com accounted for approximately 1% of YOOX NET-A-PORTER GROUP's net revenues in 2016.
The partnership between YOOX NET-A-PORTER GROUP and OTB group – the holding company of many leading brands in the fashion and luxury sector – continues successfully, with the management of the online flagship stores of Maison Margiela, Marni and Just Cavalli until 2020/2021.

UPDATES ON INTEGRATION

In January 2017, in line with the forecasts, the Group successfully completed its convergence to a common Enterprise Resource Planning ("ERP") software, by migrating the former THE NET-A-PORTER GROUP to the solution previously adopted by the former YOOX GROUP. The shared ERP enables a simpler, more scalable access to the back-office systems of the entire Group and will be a key element for implementing the omni-stock programme.

ASSIGNMENT OF SHARES FOLLOWING THE EXERCISE OF STOCK OPTIONS

After the close of the period, on 12 January 2017, 78,000 YNAP ordinary shares were assigned following the exercise of 1,500 options, whose details are described in the table below:

STOCK OPTION PLANS	*ASSIGNMENT DATE*	*106.5*	*59.17*	*TOTAL OPTIONS*	*TOTAL SHARES AFTER DIVISION*
2003–2005	04/02/2009	1,000		1,000	52,000
2006–2008	03/03/2007		500	500	26,000
TOTAL		1,000	500	1,500	78,000

As a result of the above, YNAP S.p.A.'s new share capital as at the date of this Report amounted to Euro 1,338,193.05, represented by 133,819,305 shares with no par value, of which 90,913,167 ordinary shares and 42,906,138 B Shares.

BUSINESS OUTLOOK

YOOX NET-A-PORTER GROUP expects to achieve an increase in net revenues, in line with its Five-Year Plan and to achieve an improved margin in terms of adjusted EBITDA in 2017: as a leader in the three luxury e-commerce segments in which it operates, the Group is uniquely positioned to best support the entire luxury sector by fully leveraging the digital potential. Specifically, it is expected that the In-Season Multi-brand business line will further enrich its brand portfolio: the launch of new prestigious brands and exclusive capsule collections is specifically expected, major development in the new high-end jewellery and watches category, as is the launch of the MR PORTER private label. In addition, this business line will further enhance its range of products with the aim of increasing user engagement and will improve the luxury service with a specific focus on the highest-spending customer base. It is expected that the Off-Season Multi-brand business line will mainly benefit from the launch of the international expansion of THE OUTNET, the further enrichment in the range of brands and products, including the debut of the YOOX private label, as well as continuous improvements in the service offered. Finally, it is expected that the growth of the Online Flagship Stores business line will benefit from significant progress in its omni-channel range and from major upgrades to the front-end platform, including customisation and enhanced precision marketing abilities. Furthermore, this business line will see additional progress in business development,

including the launch of isabelmarant.com. The Group plans to invest between approximately Euro 160 and Euro 170 million in 2017, mainly in technology. These investments will be specifically dedicated to the launch of a new e-commerce platform for THE OUTNET and for selected online flagship stores, as well as to the completion of the omni-stock programme for the Off-Season business, major steps for creating a shared global techno-logistics platform. YOOX NET-A-PORTER GROUP will also make significant progress in developing its operations: specifically, the opening of the new 12 office and new distribution centre in Dubai, new photographic studios and logistics areas for the Interporto logistics centre in Bologna, as well as the continuation of construction works on the In-Season logistics hub in Milan, which will be equipped with an advanced automated Order Storage & Retrieval System. Finally, the Group will further improve its delivery services and return services to set new standards in luxury e-commerce.

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ANNEX 1

Consolidated income statement as at 31/12/2016 prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

	31 DECEMBER 2016			31 DECEMBER 2015		
CONSOLIDATED INCOME STATEMENT	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHT-ING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHT-ING
AMOUNTS IN THOUSANDS OF EURO AND PERCENTAGE WEIGHTING ON INDIVIDUAL ITEMS:						
COST OF GOODS SOLD	1,870,660	20,621	1.1%	922,659	19,495	2.1%
FULFILMENT COSTS	(1,138,238)	(20,315)	1.8%	(570,893)	(3,591)	0.6%
FULFILMENT COSTS	(194,638)			(94,178)		
SALES AND MARKETING COSTS	(230,779)	(358)	0.2%	(113,365)	(379)	0.3%
GENERAL EXPENSES	(248,683)	(14,513)	5.8%	(97,007)	(10,975)	11.3%
OTHER INCOME AND EXPENSES	(6,139)			(4,638)		
NON-RECURRING EXPENSES	-			(19,936)		
OPERATING PROFIT	52,183			22,643		
RESULT OF EQUITY INVESTMENTS	371			592		
FINANCIAL INCOME	12,451			12,480		
FINANCIAL EXPENSES	(16,511)			(14,114)		
PROFIT BEFORE TAX	48,495			21,601		
TAXES	(14,565)			(4,993)		
CONSOLIDATED NET INCOME FOR THE YEAR	33,930			16,608		
OF WHICH:						
ATTRIBUTABLE TO OWNERS OF THE PARENT	33,930			16,608		
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-			-		

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ANNEX 2

Consolidated statement of financial position as at 31/12/2016, prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

	31 DECEMBER 2016			31 DECEMBER 2015		
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
AMOUNTS IN THOUSANDS OF EURO AND PERCENTAGE WEIGHTING ON INDIVIDUAL ITEMS						
NON-CURRENT ASSETS						
PROPERTY, PLANT AND EQUIPMENT	130,586			111,246		
INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	461,460			66,036		
GOODWILL	1,231,769			1,776,445		
EQUITY INTERESTS IN ASSOCIATES	701			329		
DEFERRED TAX ASSETS	53,043			56,075		
OTHER NON-CURRENT FINANCIAL ASSETS	2,837			3,100		
TOTAL NON-CURRENT ASSETS	1,880,397			2,013,232		
CURRENT ASSETS						
INVENTORIES	578,200			531,585		
TRADE RECEIVABLES	32,387	56	0.2%	31,292	241	0.8%
OTHER CURRENT ASSETS	48,171			34,790		
CASH AND CASH EQUIVALENTS	155,465			130,340		
CURRENT FINANCIAL ASSETS	66,995			62,954	240	0.4%
TOTAL CURRENT ASSETS	881,218			790,962		
TOTAL ASSETS	2,761,615			2,804,194		
SHAREHOLDERS' EQUITY						
SHARE CAPITAL	1,337			1,301		
RESERVES	1,833,826			1,968,222		
LOSSES CARRIED FORWARD	66,900			50,358		
CONSOLIDATED NET INCOME FOR THE YEAR	33,930			16,609		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	1,935,994			2,036,490		
EQUITY ATTRIBUTABLE TO THIRD PARTIES						

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	31 DECEMBER 2016			31 DECEMBER 2015		
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
TOTAL CONSOLIDATED EQUITY	1,935,994			2,036,490		
NON-CURRENT LIABILITIES						
MEDIUM/-LONG-TERM FINANCIAL LIABILITIES	98,982			101,219		
EMPLOYEE BENEFITS	153			154		
PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	-			-		
DEFERRED TAX LIABILITIES	77,140			6,924		
OTHER MEDIUM-/LONG-TERM PAYABLES	8,367			7,926		
TOTAL NON-CURRENT LIABILITIES	184,643			116,223		
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	17,639			29,450		
PROVISIONS FOR RISKS AND CHARGES	58,748			90,188		
TRADE PAYABLES	399,412	18,304	4.6%	353,259	13,468	3.8%
TAX LIABILITIES	24,192			29,683		
OTHER PAYABLES	140,988			148,899		
TOTAL CURRENT LIABILITIES	640,978			651,480		
TOTAL CONSOLIDATED EQUITY AND LIABILITIES	2,761,615			2,804,194		

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ANNEX 3

Consolidated statement of cash flows for the year ended 31/12/2016, prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28/ July 2006 (in thousands of Euro).

	31 DECEMBER 2016			31 DECEMBER 2015		
CONSOLIDATED STATEMENT OF CASH FLOWS	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
AMOUNTS IN THOUSANDS OF EURO AND PERCENTAGE WEIGHTING ON INDIVIDUAL ITEMS						
CONSOLIDATED NET INCOME FOR THE YEAR	33,930			16,609		
ADJUSTMENTS FOR:						
TAXES FOR THE FISCAL YEAR	14,565			4,993		
FINANCIAL EXPENSES DURING THE FISCAL YEAR	16,511			14,114		
FINANCIAL INCOME DURING THE FISCAL YEAR	(12,451)			(12,480)		
SHARE OF EARNINGS FROM ASSOCIATES	(371)			(592)		
AMORTISATION AND IMPAIRMENT LOSSES FOR THE FISCAL YEAR	91,169			36,440		
FAIR VALUE ADJUSTMENT OF STOCK OPTION PLANS	12,349			1,454		
UNREALISED EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	(3,011)			4,367		
LOSSES/(GAINS) ON SALE OF NON-CURRENT ASSETS	123			85		
PROVISIONS FOR EMPLOYEE BENEFITS	60			60		
PROVISIONS FOR RISKS AND CHARGES	1,502			685		
PAYMENT OF EMPLOYEE BENEFITS	(61)			(70)		
USE OF PROVISIONS FOR RISKS AND CHARGES	(32,943)			(457)		
CHANGES IN INVENTORIES	(46,615)			(78,428)		
CHANGES IN TRADE RECEIVABLES	(1,095)	185	-16.9%	(4,331)	(169)	3.9%
CHANGES IN TRADE PAYABLES	46,152	4,836	10.5%	48,438	8,762	18.9%
CHANGES IN OTHER CURRENT ASSETS AND LIABILITIES	(24,294)			43,175		
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	95,520			74,062		
INCOME TAX PAID	(15,229)			(17,358)		
INTEREST AND OTHER FINANCIAL EXPENSES PAID	(16,511)			(14,114)		
INTEREST AND OTHER FINANCIAL INCOME RECEIVED	12,451			12,480		
CASH FROM (USED IN) OPERATING ACTIVITIES	76,231			55,071		
INVESTING ACTIVITIES						
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	(43,498)			(21,124)		

	31 DECEMBER 2016			31 DECEMBER 2015		
CONSOLIDATED STATEMENT OF CASH FLOWS	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
ACQUISITION OF INTANGIBLE ASSETS	(85,449)			(39,458)		
ACQUISITION OF EQUITY INVESTMENTS	-			-		
ACQUISITION OF OTHER NON-CURRENT FINANCIAL ASSETS	262			(181)		
ACQUISITION OF SUBSIDIARIES NET OF CASH AND CASH EQUIVALENTS ACQUIRED	-			(48)		
CASH FROM (USED IN) INVESTING ACTIVITIES	**(128,685)**			**(60,811)**		
FINANCING ACTIVITIES						
NEW SHORT-TERM LIABILITIES	82			6,848		
REPAYMENT OF SHORT-TERM LIABILITIES	(11,730)			(10,901)		
NEW MEDIUM-/LONG-TERM FINANCIAL LIABILITIES	75,000			49,420		
REPAYMENT OF MEDIUM-/LONG-TERM FINANCIAL LIABILITIES	(81,919)			(13,214)		
TREASURY SHARES ACQUISITION	-			-		
INCREASE IN SHARE CAPITAL AND SHARE PREMIUM RESERVE	100,186			15,637		
INVESTMENTS IN FINANCIAL ASSETS	(4,040)	240	-5.9%	(29,738)		
CHANGE DUE TO DIFFERENCE BETWEEN CASH AND EQUITY EFFECT OF INCENTIVE PLANS	-			-		
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**77,579**			**18,052**		
TOTAL CASH FLOW FOR THE FISCAL YEAR	**25,125**			**12,312**		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	130,340			118,028		
CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR	155,465			130,340		
TOTAL CASH FLOW FOR THE FISCAL YEAR	**25,125**			**12,312**		

ANNEX 4

Summary statement of consideration paid during the fiscal year for services provided to the Group by the independent auditors and other entities belonging to the same network as the independent auditors, prepared in application of Article 149-duodecies of Issuers' Regulation no. 11971 of 13 May 1999 and subsequent amendments.

TYPE OF SERVICE	SERVICE PROVIDER	RECIPIENT	CONSIDERATION (THOUSANDS OF EUROS)
AUDITING			
AUDITING	KPMG S.P.A.	PARENT	1,340
AUDITING	KPMG S.P.A.	SUBSIDIARIES	1,010
CERTIFICATION SERVICES			
CERTIFICATION SERVICES	KPMG S.P.A.	PARENT	357
OTHER SERVICES			
OTHER SERVICES	KPMG S.P.A. AND KPMG NETWORK	PARENT	355
TOTAL			3,062

The amounts shown in the table, relating to the year 2016, are those agreed by contracts, including any indexing (but not including pocket expenses, any supervisory fees and VAT).

Certification services refer to the certification of the pro-forma figures and of the working capital for the purposes of presenting the Information Document, the opinion on the fairness of the issue price for YNAP S.p.A. shares, as part of the increase in share capital for the purposes of the 2015-2015 stock option plan and for certificates on consolidated financial covenants.

Other services include tax and financial due diligence activities on THE NET-A-PORTER GROUP, activities involving the analysis of YNAP Group stock assessment criteria, assessments of procedures and controls relating to THE NET-A-PORTER GROUP's internal auditing system and analysis activities for the purposes of converting to THE NET-A-PORTER GROUP IFRS.

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Certification of consolidated financial statements as at 31 December 2016 pursuant to Article 81-*ter* of Consob Regulation 11971 of 14 May 1999 as subsequently amended and supplemented

YNAP Group

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016 PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

The undersigned, Federico Marchetti, as CEO of YOOX NET-A-PORTER GROUP S.p.A. (the "**Issuer**"), and Enrico Cavatorta, as Director responsible for preparing the corporate accounting documents of the Issuer, hereby certify, also taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- Their suitability with regard to the characteristics of the company, and;
- The effective application of the administrative and accounting procedures for the preparation of the Issuers' consolidated financial statements for 2016.

We also hereby certify that:
The Issuers' consolidated financial statements as at 31 December 2016:
- Have been prepared in compliance with the international accounting standards adopted by the European Union pursuant to (EC) regulation 1606/2002 of the European Parliament and Council of 19 July 2002;
- Correspond to the entries in the ledgers and records;
- Are suitable for providing a truthful and accurate representation of the Issuers' income statements, statement of financial position and statement of cash flows and the collection of companies included in the consolidation.

The report on operations includes a reliable analysis of the operating performance and result as well as the situation of the issuer and the collection of companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

The CEO

[Signture]
Federico Marchetti

The Director in charge of preparing the corporate accounting documents
[Signature]
Enrico Cavatoria

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Board of Statutory Auditors' Report on the Consolidated Financial Statements

KPMG S.p.A.
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Email it-fmauditaly@kpmg.it
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
YOOX NET-A-PORTER GROUP S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of YOOX NET-A-PORTER GROUP (the "group"), which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows as at and for the year ended 31 December 2016 and notes thereto.

Directors' responsibility for the consolidated financial statements

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view 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.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2016 and of its financial performance and cash flows for the year then ended 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.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and shareholding structure with the consolidated financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and shareholding structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the parent's directors, with the consolidated financial statements. In our opinion, the directors' report and the information presented in the report on corporate governance and shareholding structure referred to above are consistent with the consolidated financial statements of YOOX NET-A-PORTER GROUP as at and for the year ended 31 December 2016.

Bologna, 2 March 2017

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

YOOX
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SEPARATE FINANCIAL STATEMENTS YOOX NET-A-PORTER GROUP S.p.A.

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SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016 PREPARED PURSUANT TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (1)

INCOME STATEMENT FOR THE PERIOD

THOUSANDS OF EUROS	NOTES	31/12/2016	31/12/2015
NET SALES	6.1	578,904	517,829
COST OF GOOD SOLD	6.2	(445,229)	(373,367)
FULFILMENT COSTS	6.3	(52,704)	(50,990)
SALES AND MARKETING COSTS	6.4	(40,949)	(32,180)
GENERAL EXPENSES	6.5	(85,814)	(50,576)
OTHER INCOME AND EXPENSES	6.6	(6,011)	(4,087)
NON-RECURRING EXPENSES	6.7	-	(18,366)
OPERATING PROFIT	6.8	(51,803)	(11,736)
RESULT OF EQUITY INVESTMENTS	6.9	3,571	3,160
FINANCIAL INCOME	6.10	5,988	4,916
FINANCIAL EXPENSES	6.10	(12,674)	(10,097)
PROFIT BEFORE TAX		(54,918)	(13,757)
TAXES	6.11	10,997	2,406
NET INCOME FOR THE FISCAL YEAR		(43,921)	(11,351)
BASIC EARNINGS PER SHARE*	6.12	0.26	0.21
DILUTED EARNINGS PER SHARE*	6.12	0.25	0.21

(1) The financial statements, which were prepared in accordance with CONSOB Resolution 15519 of 27 July 2006 and CONSOB Communication DEM/6064293 of 28 July 2006, are annexed to the notes to the separate financial statements as at 31 December 2016.
* Earnings per share are calculated on the basis of the consolidated profit for the year.

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STATEMENT OF COMPREHENSIVE INCOME

THOUSANDS OF EUROS	NOTES	31/12/2016	31/12/2015
NET INCOME FOR THE FISCAL YEAR		(43,921)	(11,351)
OTHER COMPONENTS OF COMPREHENSIVE INCOME, NET OF TAX EFFECTS			
PROFIT/(LOSS) FROM CASH FLOW HEDGES	6.23	(431)	(585)
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME WHICH WILL BE (OR COULD BE) RECLASSIFIED IN THE INCOME STATEMENT		(431)	(585)
NET CHANGE IN RETAINED EARNINGS AND ACTUARIAL LOSSES RELATING TO EMPLOYEE BENEFITS	6.23	(12)	9
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME WHICH WILL NOT BE RECLASSIFIED IN THE INCOME STATEMENT		(12)	9
TOTAL COMPREHENSIVE NET INCOME FOR THE FISCAL YEAR		(44,364)	(11,926)

YOOX
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STATEMENT OF FINANCIAL POSITION

THOUSANDS OF EUROS	NOTES	31/12/2016	31/12/2015
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	6.13	60,093	37,519
INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	6.14	91,981	51,671
EQUITY INTERESTS IN SUBSIDIARY COMPANIES	6.15	1,858,870	1,856,850
INVESTMENTS IN ASSOCIATES	6.16	701	329
DEFERRED TAX ASSETS	6.17	21,629	10,107
OTHER NON-CURRENT FINANCIAL ASSETS	6.18	146	106
TOTAL NON-CURRENT ASSETS		2,033,419	1,956,582
CURRENT ASSETS			
NET INVENTORIES	6.19	235,181	229,039
TRADE RECEIVABLES	6.20	70,215	47,020
OTHER CURRENT ASSETS	6.21	24,021	11,409
CASH AND CASH EQUIVALENTS	6.22	58,480	84,680
CURRENT FINANCIAL ASSETS	6.22	16,404	14,826
TOTAL CURRENT ASSETS		404,300	386,975
TOTAL ASSETS		2,437,720	2,343,556
SHAREHOLDERS' EQUITY			
SHARE CAPITAL		1,337	1,301
RESERVES		2,074,602	1,963,231
LOSSES CARRIED FORWARD		24,766	36,184
NET INCOME FOR THE FISCAL YEAR		(43,921)	(11,351)
TOTAL SHAREHOLDERS' EQUITY	6.23	2,056,785	1,989,365
NON-CURRENT LIABILITIES			
MEDIUM/-LONG-TERM FINANCIAL LIABILITIES	6.25	98,810	101,219
EMPLOYEE BENEFITS	6.26	153	154
PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	6.27	-	-
DEFERRED TAX LIABILITIES	6.28	177	67
TOTAL NON-CURRENT LIABILITIES		99,140	101,440
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	6.25	16,454	25,970
PROVISIONS FOR RISKS AND CHARGES	6.27	980	343
TRADE PAYABLES	6.29	223,551	179,182
TAX LIABILITIES	6.30	-	1,064
OTHER PAYABLES	6.31	40,810	46,192
TOTAL CURRENT LIABILITIES		281,795	252,752
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,437,720	2,343,556

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STATEMENT OF CHANGES IN EQUITY AS AT 31/12/2016 AND AS AT 31/12/2015 – NOTE 6.23

THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM RESERVE AND OTHER EQUITY-RELATED RESERVES	LEGAL RESERVE	TREASURY SHARE ACQUISITION RESERVE	CASH FLOW HEDGE RESERVE	IAS 19 RESERVE	STOCK OPTION RESERVE	RETAINED EARNINGS OR LOSSES CARRIED FORWARD	NET INCOME	TOTAL
31 DECEMBER 2014	620	85,999	193	(257)	192	(56)	20,623	24,641	11,544	143,495
SHARE CAPITAL INCREASES	681	15,612	-	-	-	-	-	-	-	16,293
INCREASES IN RESERVES FOR SHARE-BASED PAYMENTS	-	-	-	-	-	-	1,454	-	-	1,454
LARGENTA MERGER DEFICIT	-	1,840,048	-	-	-	-	-	-	-	1,840,048
TOTAL COMPREHENSIVE INCOME	-	-	-	-	(585)	9	-	-	(11,351)	(11,927)
OTHER CHANGES	-	-	-	95	-	-	(95)	11,544	(11,544)	-
31 DECEMBER 2015	1,301	1,941,658	193	(162)	(393)	(47)	21,982	36,185	(11,351)	1,989,365
SHARE CAPITAL INCREASES	36	99,964	-	-	-	-	-	-	-	100,000
INCREASES IN RESERVES FOR SHARE-BASED PAYMENTS	-	50	-	-	-	-	12,349	-	-	12,535
LARGENTA MERGER DEFICIT	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	-	-	-	-	(431)	(12)	-	-	(43,921)	(44,364)
OTHER CHANGES	-	(614)	67	-	-	-	-	(11,418)	11,351	(750)
31 DECEMBER 2016	1,337	2,041,058	260	(162)	(824)	(60)	34,332	24,768	(43,921)	2,056,785

STATEMENT OF CASH FLOWS

THOUSANDS OF EUROS	NOTES	31/12/2016	31/12/2015
NET INCOME FOR THE FISCAL YEAR	6.33	(43,921)	(11,351)
ADJUSTMENTS FOR:			
TAXES FOR THE FISCAL YEAR	6.32	(10,997)	(2,406)
FINANCIAL EXPENSES DURING THE FISCAL YEAR	6.33	12,674	10,097
FINANCIAL INCOME DURING THE FISCAL YEAR	6.33	(5,988)	(4,916)
DIVISIONS REPORTED IN THE FISCAL YEAR	6.33	(3,199)	(2,568)
SHARE OF EARNINGS FROM ASSOCIATES	6.33	(371)	(592)
AMORTISATION AND IMPAIRMENT LOSSES FOR THE FISCAL YEAR	6.32	35,659	29,085
FAIR VALUE ADJUSTMENT OF STOCK OPTION PLANS	6.33	10,294	1,454
LOSSES/(GAINS) ON SALE OF NON-CURRENT ASSETS	6.33	33	38
PROVISIONS FOR EMPLOYEE BENEFITS	6.33	60	60
PROVISIONS FOR RISKS AND CHARGES	6.33	980	343
PAYMENT OF EMPLOYEE BENEFITS	6.33	(61)	(70)
USE OF PROVISIONS FOR RISKS AND CHARGES	6.33	(343)	(273)
CHANGES IN INVENTORIES	6.34	(6,142)	(47,071)
CHANGES IN TRADE RECEIVABLES	6.34	(23,194)	1,707
CHANGES IN TRADE PAYABLES	6.34	44,370	32,707
CHANGES IN OTHER CURRENT ASSETS AND LIABILITIES	6.35	(19,146)	17,228
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		(9,294)	23,473
INCOME TAX PAID	6.32	(1,478)	(4,981)
INTEREST AND OTHER FINANCIAL EXPENSES PAID	6.33	(12,674)	(10,097)
INTEREST AND OTHER FINANCIAL INCOME RECEIVED	6.33	5,988	4,916
DIVIDENDS DRAWN		3,199	2,568
CASH FROM (USED IN) OPERATING ACTIVITIES		(14,258)	15,879
INVESTING ACTIVITIES			
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	6.36	(26,778)	(17,293)
ACQUISITION OF INTANGIBLE ASSETS	6.37	(65,165)	(34,809)
ACQUISITION OF STAKES IN SUBSIDIARIES	6.38	-	(9,637)
ACQUISITION OF STAKES IN ASSOCIATES	6.38	-	-
ACQUISITION OF OTHER NON-CURRENT FINANCIAL ASSETS	6.39	(40)	(6)
CASH FROM (USED IN) INVESTING ACTIVITIES		(91,984)	(61,745)
FINANCING ACTIVITIES			
NEW SHORT-TERM LIABILITIES	6.42	82	9,584
REPAYMENT OF SHORT-TERM LIABILITIES	6.42	(11,730)	(10,901)
NEW MEDIUM-/LONG-TERM FINANCIAL LIABILITIES	6.41	75,000	49,420
REPAYMENT OF MEDIUM-/LONG-TERM FINANCIAL LIABILITIES	6.41	(81,919)	(13,214)
TREASURY SHARE ACQUISITION		-	-
PAYMENT FOR SHARE CAPITAL INCREASE AND SHARE PREMIUM RESERVE	6.40	100,186	15,637
INVESTMENTS IN OTHER FINANCIAL ASSETS	6.22	(1,578)	(10,982)
CHANGE DUE TO DIFFERENCE BETWEEN CASH AND EQUITY EFFECT OF INCENTIVE PLANS	6.25	-	-
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		80,041	39,545
TOTAL CASH FLOW FOR THE FISCAL YEAR		(26,201)	(6,321)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	6.22	86,680	91,001
CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR	6.22	58,480	84,680
TOTAL CASH FLOW FOR THE FISCAL YEAR		(26,201)	(6,321)

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

1. COMPANY STRUCTURE AND ACTIVITIES

YOOX NET-A-PORTER GROUP S.p.A. (hereinafter "the Company" or "the Parent Company") is the parent company of the YNAP Group. It is subject to Italian law and its registered offices are in Milan, 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.

Please note that information by business segment is presented at Group level in paragraph 5 of the consolidated financial statements.

2. APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

The separate financial statements as at 31 December 2016 were approved by the Board of Directors on 01 March 2017. They have been audited and will be presented to the Shareholders.

3. STATEMENT OF COMPLIANCE WITH IAS/IFRS AND GENERAL CRITERIA USED TO PREPARE THE SEPARATE FINANCIAL STATEMENTS

YOOX NET-A-PORTER GROUP S.p.A. prepared the financial statements as at 31 December 2016 in accordance with the IFRS issued by the International Accounting Standard Board (IASB) and 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 separate financial statements as at 31 December 2016 were also drawn up in accordance with rules adopted by CONSOB on financial statements pursuant to Article 9 of Legislative Decree 38/2005 and other CONSOB rules and regulations concerning financial statements. The financial statements as at 31 December 2016 were compared with the 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 these notes.

CONSOLIDATED FINANCIAL STATEMENTS

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

As indicated above, the separate financial statements as at 31 December 2016 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 shareholders' 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 shareholders' equity

The statement of changes in Shareholders' 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 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 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 shareholders and 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 financial statements are presented in Euro and balances in the financial statements and in the notes to the financial statements are expressed in thousands of Euro, unless specifically indicated otherwise.

The 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 Group's financial situation.

Financial transactions are recognised according to the trade date.

The accounting policies adopted for the preparation of the separate financial statements as at 31 December 2016 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, also in light of specific actions taken by the company. The current economic and financial crisis could lead to a further deterioration in market conditions, in addition to that taken into consideration in setting the provisions entered in the financial statements.

Recoverable amount of non-current assets

Non-current assets include equity investments, 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, the Group took performance expectations for 2017 into account when drawing up the financial statements as at 31 December 2016 and, more specifically, when conducting impairment tests on equity investments, property, plant and equipment and intangible assets. For future years, it also drew up specific performance forecasts for its businesses on a precautionary basis, which take into account the profound changes to the economic, financial and market situation that have been brought about by the crisis. On the basis of these forecasts, there is no apparent need for significant impairment.

- In the event of a further worsening of the assumptions forming the basis for the forecasts, the following should be noted: in terms of the Company's property, plant and equipment and intangible assets with finite useful life (essentially development costs), the forecasts refer to recent applications/platforms with highly technological content, which makes them competitive in the current economic climate. It is therefore thought highly likely 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 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 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.

Realisability of deferred tax assets

The Company recognises deferred tax assets up to the value at which it believes recovery to be likely in future years and on a time line that is consistent with the implicit time horizon used in management estimates.

Contingent liabilities

The Company is involved in legal disputes regarding 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 as at 31 December 2016 and as at 31 December 2015 for the translation of items in the income statement and statement of financial position denominated in foreign currencies (source: www.bancaditalia.it):

	EXCHANGE RATE AS AT 31/12/2016	AVERAGE EXCHANGE RATE FOR 2016
USD	1.0541	1.1069
YEN	123.40	120.20
CNY	7.3202	7.3522
HKD	8.1751	8.5922
GBP	0.8562	0.8195
RUB	64.300	74.144
AUD	1.4596	1.4882
CAD	1.4188	1.4659
KRW	1,269.4	1,284.2

	EXCHANGE RATE AS AT 31/12/2015	AVERAGE EXCHANGE RATE FOR 2015
USD	1.0887	1.1095
YEN	131.07	134.31
CNY	7.0608	6.9733
HKD	8.4376	8.6014
GBP	0.7340	0.7259
RUB	80.674	68.072
AUD	1.4897	1.4777
CAD	1.5116	1.4186
KRW	1,280.8	1,256.5

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 meet 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 shareholders' 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 shareholders' equity until the proposed transaction takes place. If the hedged item is a non-financial asset, the amount entered under shareholders' equity is transferred to the carrying amount of the asset when it is determined. In other cases, the amount entered under shareholders' equity is transferred to the income statement in the same year in which the hedged item affects the income statement.

Property, plant and equipment

Valuation and measurement

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

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

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

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

Subsequent costs

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

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

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

Assets under finance lease

Property, plant and equipment held under finance leases, for which the Parent Company has substantially assumed all risks and rewards of ownership, are recognised at the start date of the lease as assets at their fair value, or, if lower, at the present 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 plants	15%
specific plants	9%
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. Note that during the year the useful lives of specific plants were reviewed, which went from a depreciation rate of 15% to 9%. We specifically highlight that the accounting category Plant and Equipment was almost exclusively composed of Specific Plants related to automation (*Automated Warehouses* and *Digital Production* Equipment) subject to audit.

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 and they are subjected to impairment testing. 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 expenses

Subsequent expenses are capitalised only when they increase the anticipated future economic benefits attributable to the asset to which they refer. All other subsequent expenses are entered in the income statement in 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, beginning when the asset is available for use. The appropriate economic and technical lives of these items are as follows:

Development costs	30%
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. Note that during the year the useful life of Development Costs was reviewed, which went from 33% to 30%.

Stakes in subsidiaries and associated companies

In the Parent's financial statements, stakes in subsidiaries (not classified as held for sale) are recognised at cost, adjusted for any impairment losses, and translated into Euro at historical exchange rates if referring to stakes in foreign companies whose reporting currency is not the Euro.
Positive differences between the price and the corresponding portions of shareholders' equity arising upon acquisition of the investments are maintained in the carrying amount of the stakes themselves. The purchase or sale values of equity investments, business units or company assets under joint control are recognised at ongoing historical cost levels without recognising gains or losses.
If there are indications that the value of equity investments may have decreased, they are tested for impairment and written down if required. For the impairment loss to be charged to the income statement, there must be objective evidence that events have taken place which impacted the estimated future cash flows of the stakes. Any losses exceeding the carrying amount of the equity investments, which may arise as a result of legal or implicit obligations to cover the losses of investee companies, are recognised under provisions for risks and charges.
The original value is restored in subsequent years if the reasons for the write-down are eliminated.

The associated dividends are recognised under financial income from equity interests at the moment the right to obtain them is determined, generally coinciding with the shareholder resolution.

In the financial statements of the Parent, stakes in associated companies are measured at fair value in compliance with IAS 39, and any change in fair value is recognised in the statement of profit (loss) in the fiscal year in which it takes place.

Other non-current financial assets

This category includes guarantee deposits that are expected to be settled in more than 12 months.

The initial recording of non-current financial assets is based on fair value as at the trade date (i.e., the acquisition cost), net of transaction costs directly attributable to the acquisition.

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

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

At each reporting date, it is determined whether there is objective evidence that any of the non-current financial assets have undergone an impairment loss.

If there is objective evidence of an impairment loss, the amount of that loss is measured as the difference between the carrying amount of the investment held to maturity 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 recognised immediately in the income statement.

If in a subsequent fiscal year the amount of the impairment loss decreases and that decrease is linked to an event subsequent to the recognition of the impairment loss, the loss is reversed and the relative write-back is recognised in the income statement.

Current financial assets

Current financial assets and securities held to maturity are accounted for on the basis of the settlement date and, for their first-time recognition in the financial statements, they are recorded at acquisition cost, inclusive of accessory transaction costs.
Subsequent to initial recognition, financial instruments available for sale and held for trading are measured at 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.
Assessments are carried out regularly to verify whether there is objective evidence that a financial asset or a group of assets may be impaired. If this objective evidence is identified, the impairment loss is recognised as a cost in the income statement for the period.

Inventories

Inventories are measured at the lower of acquisition and/or production cost and the net realisable value on the basis of market trends, taking into account the relative accessory sales costs. The cost of inventories, determined in accordance with the average cost method by product category, includes acquisition costs and the costs incurred to bring inventories to their current location and conditions.
In order to adequately represent the value of inventories in the financial statements and to consider impairment losses deriving from obsolete material and low turnover, a provision for obsolescence has been recognised, as a direct deduction of the value of the inventories.

Trade receivables and other receivables

Trade and other receivables, generally maturing in less than one year, are recognised at the fair value of the initial payment increased by transaction costs. They are subsequently measured at amortised cost, adjusted to reflect any losses due to impairment, determined as the difference between the carrying amount and the value of estimated future cash flows. If the impairment loss decreases in a subsequent fiscal year, the previously recognised loss is partially or fully reversed and the value of the receivable is restored to a value that does not exceed the amortised cost that would have been recognised had there been no loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank and postal accounts and equivalents that may be liquidated in an extremely brief period of time (three months), which are recognised at nominal value and the spot exchange rate at year-end, if in foreign currency, corresponding to the fair value.

Asset impairment losses and reversals

As at each reporting date, the Company tests the carrying amounts of equity investments and tangible and intangible assets for impairment if there is any indication that the value of such assets may have decreased. If this indication is identified, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Intangible assets not yet available for use are tested for impairment every year, or more frequently whenever there is an indication that the asset may have undergone an impairment loss.

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 this test brings to light any impairment in the assets recognised or in a cash generating unit (CGU), the recoverable amount is estimated and the part of the carrying amount exceeding the recoverable amount is allocated to the income statement. The impairment loss of a CGU is first allocated to goodwill, if any, and subsequently recognised as a reduction in the value of other assets.

The recoverable amount of an asset or a CGU is determined by discounting cash flow projections relating to the asset or the CGU. The discounting rate used is the cost of capital based on the specific risks of the asset or the CGU. The recoverable amount of investments in securities held to maturity and receivables recognised at amortised cost corresponds to the present value of future cash flows, discounted on the basis of the effective interest rate calculated at initial recognition. The recoverable amount of other assets is the higher of the sale price and the value in use, determined by discounting the estimated future cash flows based on a rate that reflects market valuations.

Any impairment losses of receivables measured at amortised cost are reversed if a subsequent increase in the recoverable amount may be objectively determined.

When a loss on assets other than goodwill is subsequently eliminated or reduced, the carrying amount of the asset or the CGU is increased up to the new estimate of the recoverable amount, although it may not exceed the value that would have been determined if no impairment had been recognised. The write-back of a loss is recognised immediately in the income statement.

Share capital and other shareholders' equity items

The share capital consists of the outstanding ordinary shares of the Parent.

Any costs for the issue of new shares or stock options are classified in Shareholders' Equity (net of the associated tax benefit) as a deduction in income deriving from the issue of such instruments.

As set forth in IAS 32, if instruments representing equity are repurchased, such instruments (treasury shares) are deducted directly from shareholders' equity and recognised in the item Other reserves. No profit or loss is recognised in the income statement at the time of the acquisition, sale or cancellation of treasury shares.

The amount paid or received, including any other cost incurred that is directly attributable to the capital transaction, net of any associated tax benefit, is recognised as a change in shareholders' equity.

Any dividends recognised to shareholders are recognised as liabilities in the period in which they are decided upon.

Financial liabilities

Financial liabilities are initially recognised at fair value net of accessory costs and, subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The difference between the amortised cost and the repayment value is allocated to the income statement in relation to the duration of the liability based on interest accrued. When hedge accounting is applicable, financial liabilities hedged by derivatives are measured consistently with the hedging instrument.

Employee benefits

The Italian company's severance indemnity is considered to be a defined-benefit plan under IAS 19. The benefits guaranteed to employees, in the form of severance indemnity disbursed at the time of termination of employment, are recognised at the expected future value of the benefits that employees will receive and which have accrued during the year and in previous years. The benefits are discounted and the liability is recognised net of the fair value of any assets used for pension plans. These net obligations are determined separately for each plan on the basis of actuarial assumptions and are measured at least once a year, with the support of an independent actuary using the projected unit credit method.

As of 1 January 2013, it is no longer an option to defer the recognition of actuarial gains and losses using the corridor method, which means that the entire fund deficit or surplus needs to be recognised in the statement of financial position, and the cost components linked to the work provided and net financial expenses should be recognised separately in the income statement, while actuarial gains and losses deriving from the re-measurement of the liabilities and assets each fiscal year are recognised in Other comprehensive income/(loss).

Transactions with share-based payments

YOOX NET-A-PORTER GROUP 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. according to the provisions of IFRS 2 - Share-based payment - they are classified as the "equity settlement" type; therefore, the total amount of the present value of the Stock Options and the Company incentive plan at the grant date is recognised as a cost in the income statement. Changes in present value subsequent to the grant date have no effect on the initial measurement. The cost for remuneration, corresponding to the present value of stock 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 recognised in shareholders' equity.

Provisions for risks and charges

Provisions for risks and charges are recognised for expenses for Company obligations, of a legal or implicit nature (contractual or of any other nature), deriving from a past event. Provisions for risks and charges are recognised if it is likely that the use of resources will be necessary to meet the obligation and if it is possible to reliably estimate the obligation. 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 in more than twelve months and the relative effects are significant, they are discounted at a rate which takes into account the cost of money and the specific risk of the liability recognised. Any change in the estimate of provisions is reflected in the income statement in the period in which it takes place. If discounting is applied, the increase in the provision due to the passing of time and any effect deriving from changes in the discounting rate is recognised as a financial expense.

Trade payables and other payables

Trade and other payables, due within normal commercial terms, typically less than one year, are recognised at the fair value of the initial payment increased by transaction costs. After initial recognition, they are measured at amortised cost, with any differences recognised in the income statement over the duration of the liability in compliance with the effective interest method. Trade and other payables generally have a duration of less than one year and, therefore, are not discounted.

Revenue and income

Sales

Revenues from sales are measured at the fair value of the payment received or due, taking into account the value of any returns, allowances, trade discounts and quantity-related premiums. Revenues are recognised when the significant risks and benefits associated with asset ownership are transferred to the purchaser, when the payment is likely to be recovered, the relative costs or any return of goods may be estimated reliably and if the Management stops exercising the continuous level of activity usually associated with the ownership of the good sold.

Risks and benefits are typically transferred at the time of shipment to the customer, i.e., the moment the goods are handed over to the courier.

Services

Revenues from the provision of services are recognised in the income statement based on service progress at the reporting date. Progress is evaluated based on measurements of the work carried out.

Commissions

When the Company acts as a trade intermediary and not as the buyer within a transaction, the revenues recognised correspond to the net amount of the Company’s commission.

Dividends

Dividends receivable are recognised as income in the income statement at the date of approval by the shareholders’ meeting of the distributing company. On the other hand, dividends payable are recognised as changes in shareholders’ equity in the fiscal year in which they are approved by the shareholders’ meeting.

Cost of goods sold

The cost of goods sold is the total cost incurred by the Company to sell all goods with which it recognises sales revenue, net of changes in inventories of finished products. Therefore, the cost of goods sold includes costs to purchase goods plus direct and indirect, internal and external accessory costs, including transport costs and import and export duties. Costs incurred for transport relating to sales are included in the cost of goods sold as they are directly correlated with sales revenue. Costs for the purchase of goods for resale are measured at the fair value of the amount paid or agreed upon. In general, the amount of costs to purchase goods for resale therefore consists of cash or cash equivalents paid or to be paid in the future, within normal collection terms. On this basis, costs for the purchase of goods for resale are recognised based on prices for the acquisition of the goods reported on the invoice, net of premiums, discounts and allowances.

Costs for the purchase of goods for resale are adjusted if applicable to take into account any decisions to apply discounts additional to those agreed upon in the contract and any payment terms exceeding 12 months, so as to amount to the supplier’s granting of financing to the Company. In this last case, the present value of costs for the purchase of goods is represented by the future cash flow capitalised at a market interest rate. Likewise, when additional discounts are applied for early cash payments with respect to the payment terms agreed upon in the contract or on the invoice, the present value of costs for the purchase of goods is recognised gross of that additional discount, which is reported under interest income.

The change in inventories of goods shows the difference between opening inventories (or closing inventories from the previous period) and closing inventories for the reference accounting period.

In addition, the cost of goods sold also includes costs correlated with revenues from providing assistance for the construction/maintenance of online stores, invoiced to the strategic partners of the online stores in the mono-brand business line.

Fulfilment costs

This refers to costs incurred for:

- digital production, cataloguing and quality control: this item includes costs incurred for the "cataloguing" of goods acquired, or for labelling, classifying and storing them in the warehouse. These include costs of employed personnel, insurance, consulting services and the acquisition of consumables. It also includes part of the costs for the depreciation of assets involved in the process, the cost for renting vehicles and other expenses that may be directly allocated to the departments involved in the process;

- logistics: this item includes internal goods handling and packaging costs, or costs for logistics management at the warehouse and the relative consulting services, as well as a portion of the depreciation and amortisation of tangible and intangible assets, and the cost incurred for the remuneration of employees working directly in that area;

- customer services: these costs include all expenses for the management of customer care, i.e., the costs of the call centre and telephone and emailing services made available to customers, costs for personnel, and the depreciation and amortisation of the relative tangible and intangible assets.

Sales and marketing costs and general and administrative expenses

Expenses relating to the items specified are measured at the fair value of the amounts paid or agreed upon.

In general, the amount of these costs consists of cash or cash equivalents to be paid in the future, within normal collection terms. On this basis, the costs are recognised based on the prices for the services reported on the invoice, net of premiums and discounts.

These costs are adjusted if there are any discounts additional to those agreed upon in the contract and any payment terms exceeding 12 months, so as to amount to the supplier's granting of financing to the Company.

In this last case, the present value of costs for services is represented by the future cash flow capitalised at a market interest rate.

When additional discounts are applied for early cash payments with respect to the collection terms agreed upon in the contract or on the invoice, the present value of costs for services is recognised gross of that additional discount, which is reported under interest income.

The cost is recognised on an accrual basis, i.e., based on the stage of completion of the service provided at the reporting date.

The costs that the Company believes will result in cash outflows during the year, but the amount of which it is unable to precisely quantify, are allocated to the income statement based on reasonable estimates.

Rental and operating lease payments

Rental and operating lease payments are recognised in the income statement on an accrual basis, or when the economic benefits of the assets rented or leased are recognised. If the economic benefits are lower than mandatory minimum expenses, categorised as contracts for consideration, the costs are recognised immediately in the income statement to an extent equal to the difference between expenses and discounted benefits.

Non-recurring expenses

Non-recurring expenses are associated with extraordinary transactions, which include primarily expenses for legal, tax, accounting, financial and strategic consulting services, as well as other general expenses connected with the relative transactions.

Result of equity investments

Income and expenses from associates include the effects resulting from valuation at equity and capital gains and losses from the sale of investments in associates. The item also includes write-downs related to the impairment of financial assets and any write-backs of equity investments, allocations to provisions for risks on equity investments and income from the collection of dividends.

Financial income and expenses

Financial income includes interest income on invested liquidity and profits on hedging instruments recognised in the income statement. Interest income is recognised in the income statement on an accrual basis using the effective interest method. Financial expense includes interest expenses on loans and losses on hedging instruments recognised in the income statement. Costs relating to loans are recognised in the income statement using the effective interest method.

Income taxes

The tax burden for the fiscal year includes current and deferred taxes. Income taxes are recognised in the income statement, with the exception of those relating to any transactions recognised directly in shareholders' equity where they are recorded.

Current taxes represent the estimated amount of income taxes due, calculated on taxable income for the fiscal year, determined by applying the tax rates in force or substantially in force at the reporting date and any adjustments to the amount relating to previous fiscal years.

Deferred taxes are recognised in accordance with the equity method, by calculating temporary differences between the carrying amounts of assets and liabilities recognised in the financial statements and the corresponding values recognised for tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to be applicable in the fiscal year in which the asset or liability to which they refer will be realised or settled, respectively, on the basis of the tax rates established by measures in force or substantially in force at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets with current tax liabilities and if the deferred tax assets and liabilities relate to income taxes applied by the same tax authority on the same taxpayer or different taxpayers which intend to settle current tax assets and liabilities on a net basis, or sell the assets and settle the liabilities simultaneously.

Deferred tax assets are recognised to the extent to which it is likely that future taxable income will be available against which such assets may be used. The value of deferred tax assets is reviewed at each reporting date and is reduced to the extent to which it is no longer likely that the relative tax benefit may be realised.

Additional income taxes resulting from any distribution of dividends are accounted for when the liability for payment of the dividend is recognised.

Earnings per share

Basic earnings per share is calculated based on the ratio between the profit pertaining to the Parent and the weighted average of the number of ordinary shares outstanding during the reference period, with the exclusion of any treasury shares held in the portfolio. Diluted earnings per share is calculated by adjusting the weighted average of the number of ordinary shares outstanding assuming the conversion into ordinary shares of all stock options granted with a dilutive effect. The Parent has a category of potential ordinary shares with a dilutive effect relating to the Stock Option plans.

5. CHANGES TO ACCOUNTING STANDARDS, NEW ACCOUNTING STANDARDS, CHANGES TO ESTIMATES AND RECLASSIFICATIONS

New accounting standards and amendments effective as of 1 January 2016 and adopted by the Group

Amendments to IAS 1 – Disclosure initiative (applicable for accounting periods beginning on or after 1 January 2016).
The amendment provides clarifications on the elements of disclosure that may be perceived as impediments to the clear and intelligible preparation of the financial statements.

Amendments to IAS 27 – Equity method in separate financial statements (applicable for accounting periods beginning on or after 1 January 2016).
The amendment introduces the option of using the equity method in the separate financial statements of an entity to value shareholdings in subsidiaries, joint ventures and associates. Consequently, following the introduction of the amendment, an entity may record these shareholdings in its own separate financial statements using the cost method, or as set out in IFRS 9 or using the equity method.

The initial application of the interpretation has not had significant impacts on the consolidated financial statements of the Group.

The adoption of this interpretation in the comparable accounting periods would not have involved differences on the financial statement balances.

New accounting standards and amendments effective as of 1 January 2016 that are not relevant for the Group

Amendments to IAS 11 – Accounting for acquisitions of interests in joint operations (applicable for accounting periods beginning on or after 1 January 2016).
The amendment provides clarifications regarding the accounting for acquisitions of interests in a joint venture whose activities constitute a business as defined by IFRS 3. The amendment requires the application of the principles reported in IFRS 3 in these cases.

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation (applicable for accounting periods beginning on or after 1 January 2016).
Amendments to IAS 16 establish that depreciation criteria based on revenue are not appropriate, as, according to the amendment, revenue generated by an activity that include the use of the asset being depreciated reflect factors other than the consumption of the asset's economic benefits alone. The amendments to IAS 38 introduce a rebuttable presumption according to which a revenue-based amortisation method is generally considered inappropriate for the same reasons established by the changes introduced to IAS 16. In the case of intangible assets, this presumption may however be overcome, but only in limited and specific circumstances.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: application of the consolidation exception.
The amendments to IFRS 10 clarify that the exemption specified in paragraph 4 of IFRS 10 from presenting consolidated financial statements applies to a controlling entity, which is in turn controlled by an investment company when the latter measures its subsidiaries at fair value. The aim of the amendments is to allow entities to apply the equity method described in IAS 28 - Investments in Associates and Joint Ventures, to record investments in subsidiaries, joint ventures and associates in the respective separate financial statements.

New accounting principles and amendments not yet applicable and not adopted in advance by the Group

The new accounting standards or amendments applicable for fiscal years beginning after 1 January 2016, which may be applied in advance, are specified below. The Group has decided not to adopt them in advance for the preparation of these consolidated financial statements. The Group does not anticipate any significant effects from the application of these new principles in the future.

IFRS 15 - Revenue from Contracts with Customers: IFRS 15 introduces a single general model to determine if, when and to what extent to recognise revenues. This standard replaces the revenue recognition criteria in IAS 18 - Revenue, IAS 11 - Construction Contracts and IFRIC 13 - Customer Loyalty Programmes.
IFRS 15 applies for fiscal years beginning on or after 1 January 2018. Early adoption is permitted.

IFRS 9 - Financial Instruments: Published in July 2014, IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new provisions for the classification and measurement of financial instruments, a new model for expected losses for the calculation of impairment losses on financial assets and new general provisions for hedge accounting transactions. In addition, it includes provisions for the recognition and elimination of financial instruments for accounting purposes in keeping with the current IAS 39. IFRS 9 applies for fiscal years beginning on or after 1 January 2018. Early adoption is permitted.

Documents not yet approved by the European Union as at 31 December 2016

IFRS 16 - Leases: Issued in January 2016, IFRS 16 introduced new principles for the recognition, measurement, presentation and disclosure of leases for both contractual counterparties. IFRS 16 applies for fiscal years beginning on or after 1 January 2019. The company may elect to apply IFRS 16 before that date in the event of the application of IFRS 15 - Revenue from Contracts with Customers. IFRS 16 replaces the previous standard IAS 17 - Leases, and related interpretations.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) - The amendments provide clarifications on the procedures for recognising deferred tax assets from unrealised losses on debt instruments measured at fair value. The amendments apply for fiscal years beginning on or after 1 January 2017.

Disclosure Initiative (Amendments to IAS 7) - The amendments require entities to provide information allowing users of financial statements to assess changes in liabilities resulting from financing activities including monetary and non-monetary changes. The amendments apply for fiscal years beginning on or after 1 January 2017.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration - Issued in December 2016, IFRIC 22 provides clarifications on the recording of foreign currency transactions.

IFRS 2: Classification and Measurement of Share-based Payment Transactions – In June 2016, the IASB issued amendments to IFRS 2 aimed at clarifying the recording of transactions involving share-based payments. These amendments are applicable starting 1 January 2018, but they may be applied in advance.

Transfers of Investment Property (Amendments to IAS 40) - In December 2016 the IASB published amendments to paragraph 57 of IAS 40. These amendments are applicable starting 1 January 2018, but they may be applied in advance.

Annual Improvements to IFRS Standards (2014-2016 Cycle) - The improvements made to the IFRS with the issuance made by the IASB in December 2016, involved the following standards: IFRS 1, IFRS 12 and IAS 28.

Clarifications to IFRS 15 Revenue from Contracts with Customers - The IASB issued this document in April 2016, and it is applicable starting 1 January 2018.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - The IASB issued this document in September 2018, and it is applicable starting 1 January 2018.

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION, INCOME STATEMENT AND STATEMENT OF CASH FLOWS

INCOME STATEMENT

6.1 NET REVENUES

The Parent Company's net revenue from sales and the provision of services as at 31 December 2016 and as at 31 December 2015 breaks down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
NET REVENUES FROM SALES	564,439	497,176	67,263
NET REVENUES FROM THE PROVISION OF SERVICES	14,465	20,653	(6,189)
TOTAL	**578,904**	**517,829**	**61,074**

Net revenues from sales increased by 13.5% from Euro 497,176 thousand as at 31 December 2015 to Euro 564,439 thousand as at 31 December 2016. Net revenues from sales include all revenues for the sale of goods, expressed net of discounts provided to customers and returns.

The significant rise in net revenues from sales of goods in 2016 is mainly due to the upward trend in sales volumes, linked to the increase in the number of orders.

Revenues from the sale of goods are reported net of sales returns, amounting to Euro 165,041 thousand in 2016, or 28.1% of gross revenues in 2016 (revenues from the sale of goods before customer returns in 2016) and Euro 137,613 thousand in 2015, or 26.4% of gross revenues in 2015 (revenues from the sale of goods before customer returns in 2015). Returns are an inherent part of the Company's business activities, as a result of the protection afforded to consumers under remote-selling – and specifically e-commerce – regulations in force in the countries where the Company operates.

Revenues from the provision of services decreased from Euro 20,653 thousand in 2015 to Euro 14,465 thousand in 2016, down 30.0%, primarily including:

- 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;
- revenues from the set-up fees charged to create the online stores and fees charged to Strategic Partners in the Mono-brand business line for maintaining the online stores;
- revenues 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 445,229 thousand (76.9% of net revenues) for the period ending 31 December 2016 compared with Euro 373,367 thousand (72.1% of net revenues for fiscal year 2015), an increase of Euro 71,862 thousand. The cost of goods sold includes costs deriving from the acquisition of goods for resale as well as costs for services and other costs.

The following table shows a breakdown of the cost of goods sold by nature:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
CHANGE IN INVENTORIES OF GOODS	4,160	46,468	(42,308)
PURCHASE OF GOODS	(401,611)	(375,954)	(25,657)
COST OF SERVICES	(42,610)	(39,061)	(3,548)
OTHER COSTS	(5,168)	(4,819)	(349)
TOTAL	**(445,229)**	**(373,367)**	**(71,862)**

Costs for the purchase of goods rose from Euro 375,954 thousand in 2015 to Euro 401,611 thousand in 2016, an increase of 6.8%. Costs for the purchase of goods include procurement costs for goods for resale, the absolute value of which is directly correlated with sales volume trends.

The cost of services was up by 9.1%, from Euro 39,061 thousand in 2015 to Euro 42,610 thousand in 2016. 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 7.2%, from Euro 4,819 thousand in 2015 to Euro 5,168 thousand in 2016. 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 totalled Euro 52,704 thousand (9.1% of net revenues in 2016), compared with Euro 50,990 thousand (9.8% of net revenues in 2015), up Euro 1,714 thousand.

This cost comprises operational expenses incurred from digital production, cataloguing and quality control, from warehouse logistics, and from the department that provides direct services to customers, referred to as customer services.

The following table shows the breakdown of fulfilment costs:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
SERVICE COSTS AND OTHER COSTS	(41,247)	(38,457)	(2,789)
PERSONNEL EXPENSES	(6,808)	(5,618)	(1,190)
DEPRECIATION AND AMORTISATION	(4,650)	(6,915)	2,265
TOTAL	**(52,704)**	**(50,990)**	**(1,714)**

Service costs and other costs rose from Euro 38,457 thousand in 2015 to Euro 41,247 thousand in 2016, an increase of 7.3%. They mainly comprise service costs for handling and packaging goods and costs relating to outsourced production processes.

Personnel expenses increased by 21.2%, from Euro 5,618 thousand in 2015 to Euro 6,808 thousand in 2016, as a result of the increase from 160 as at 31 December 2015 to 175 as at 31 December 2016 in the number of employees working in that department. The cost of the stock option plans and company incentive plans granted went from Euro 9 thousand in 2015 to Euro 30 thousand in 2016. Personnel expenses include the cost of employees as well as costs equivalent to personnel expenses relating to interns, contractors and consultants.

6.4 SALES AND MARKETING COSTS

Sales and marketing costs amounted to Euro 40,949 thousand (7.1% of revenues) for the period ending at 31 December 2016, compared with Euro 32,180 thousand (6.2% of revenues) for the period ending at 31 December 2015, up Euro 8,770 thousand.

These expenses relate to departments operating in sales. A portion of the costs are for personnel working in sales and marketing. The item also contains web marketing costs, costs for charges on credit card transactions and other methods of payment made to intermediaries for payment collection services, as well as expenses relating to customs duties on purchases relating to the import and export of goods sold.

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

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
SERVICE COSTS AND OTHER COSTS	(20,663)	(18,047)	(2,616)
PERSONNEL EXPENSES	(20,285)	(14,129)	(6,155)
DEPRECIATION AND AMORTISATION	(1)	(3)	2
TOTAL	(40,949)	(32,180)	(8,770)

Service costs and other costs rose from Euro 18,047 thousand in 2015 to Euro 20,663 thousand in 2016, an increase of 14.5%. The main components of the services costs incurred in 2016 refer to:

- web marketing costs of Euro 13,861 thousand (Euro 11,364 thousand in 2015). 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 4,447 thousand (Euro 4,539 thousand in 2015);

- Costs for fraud relating to e-commerce activities of Euro 1,454 thousand (Euro 991 thousand in 2015).

Personnel expenses increased from Euro 14,129 thousand in 2015 to Euro 20,285 thousand in 2016, up 43.6% as a result of the increase from 283 as at 31 December 2015 to 332 as at 31 December 2016 in the number of employees working in that department. The cost of the stock option plans and company incentive plans granted went from Euro 78 thousand in 2015 to Euro 1,418 thousand in 2016. Personnel expenses include the cost of employees as well as costs equivalent to personnel expenses relating to interns, contractors and consultants.

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.

The cost for general expenses amounted to Euro 85,814 thousand in fiscal year 2016 compared with Euro 50,576 thousand in 2015, an increase of Euro 35,238 thousand.

General expenses can be broken down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
COST OF SERVICES	(25,830)	(14,636)	(11,194)
PERSONNEL EXPENSES	(28,976)	(13,773)	(15,203)
DEPRECIATION AND AMORTISATION	(31,008)	(22,167)	(8,841)
TOTAL	**(85,814)**	**(50,576)**	**(35,238)**

The cost of services grew by Euro 11,194 thousand from Euro 14,636 thousand in 2015 to Euro 25,830 thousand in 2016.

Personnel expenses were up by over 100% from Euro 13,773 thousand in 2015 to Euro 28,976 thousand in 2016, as a result of the increase in the number of staff involved in that department, which increased from 482 employees as at 31 December 2015 to 572 employees as at 31 December 2016. The cost of stock option plans and the company incentive plan granted increased from Euro 1,368 thousand in 2015 to Euro 8,847 thousand in 2016.
Personnel expenses include the cost of employees as well as costs equivalent to personnel expenses relating to interns, contractors and consultants.

Depreciation and amortisation rose from Euro 22,167 thousand in 2015 to Euro 31,008 thousand in 2016, an increase of 39.9%.

6.6 OTHER INCOME AND EXPENSES

The balance of other income and expenses was a negative Euro 6,011 thousand for the year ending 31 December 2016, compared with Euro 4,087 thousand in expenses in 2015, an increase of Euro 1,924 thousand.

Other income and expenses can be broken down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
EXTRAORDINARY INCOME/LIABILITIES	(3,290)	(2,159)	(1,131)
THEFT AND LOSSES	(1,254)	(921)	(333)
OTHER TAX LIABILITIES	(454)	(198)	(256)
OTHER INCOME AND EXPENSES	(277)	(641)	364
PROVISIONS FOR SUNDRY RISKS	(352)	(153)	(200)
REIMBURSEMENTS	(384)	(16)	(368)
TOTAL	**(6,011)**	**(4,087)**	**(1,924)**

Extraordinary items had a negative balance of Euro 3,290 thousand (negative Euro 2,159 thousand as at 31 December 2015). The item includes income and expenses resulting from ordinary operating activities.

Theft and losses relates to the theft and losses of goods destined for final customers that have already occurred at year-end close, net of the relative insurance coverage.

Other tax liabilities increased from Euro 198 thousand in 2015 to Euro 454 thousand in 2016, an increase of over 100%.

Provisions for sundry risks in 2016 relate to the estimated charge incurred due to theft and loss of goods not identified as missing at the reporting date.

6.7 NON-RECURRING EXPENSES

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
NON-RECURRING EXPENSES	-	(18,366)	18,366

In 2016, there were no non-recurring expenses, while as at 31 December 2015 this item totalled Euro 18,366 thousand owing to the merger with THE NET-A-PORTER GROUP Limited and included primarily expenses for legal, tax, accounting, financial and strategic consulting services, as well as other general expenses associated with the transaction.

6.8 OPERATING PROFIT

As required by IAS 1, the following is a breakdown of costs by nature used to determine the operating margin.

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
NET SALES	578,904	517,829	61,074
CHANGE IN INVENTORIES OF GOODS	4,160	46,468	(42,308)
PURCHASE OF GOODS	(401,611)	(375,954)	(25,657)
SERVICES	(130,350)	(110,202)	(20,148)
PERSONNEL EXPENSES	(56,069)	(33,520)	(22,549)
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(35,659)	(29,085)	(6,574)
OTHER COSTS AND REVENUES	(11,179)	(8,906)	(2,273)
NON-RECURRING EXPENSES	-	(18,366)	18,366
OPERATING PROFIT	(51,803)	(11,736)	(40,067)

Operating profit went from negative Euro 11,736 thousand in 2015 to negative Euro 51,803 thousand in 2016, which amounted to a negative 2.3% of net revenues in 2015 compared with negative 8.9% in 2016.

Personnel expenses include all employment related expenses, such as merit pay rises, promotions, cost-of-living adjustments, variable remuneration for 2016, 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 amounted to 1,069 resources at 31 December 2016 (925 at 31 December 2015). The breakdown of the headcount is as follows at year end[34]:

DESCRIPTION	31/12/2016	31/12/2015
MANAGERS	38	33
JUNIOR MANAGERS	89	70
OFFICE WORKERS	947	822
TOTAL	1,074	925

As can be seen above, at the end of 2016 the headcount increased by roughly 15.6% compared with the previous year.

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

6.9 INCOME FROM EQUITY INVESTMENTS

As at 31 December 2016, income from equity investments totalled Euro 3,571 thousand due to the combined impact of the valuation of the equity investment in the associated company (Euro 371 thousand) and dividends paid by the subsidiary YOOX Asia Limited (Euro 3,199 thousand).

6.10 FINANCIAL INCOME AND EXPENSES

Financial income increased from Euro 4,916 thousand in 2015 to Euro 5,988 thousand in 2016.

The following table shows the breakdown of financial income:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
EXCHANGE RATE GAINS	4,613	4,027	586
INTEREST INCOME	1,119	670	449
OTHER FINANCIAL INCOME	256	218	38
TOTAL	**5,988**	**4,916**	**1,072**

Exchange rate gains rose from Euro 4,027 thousand in 2015 to Euro 4,613 thousand in 2016 and are primarily linked to the translation of items in US dollars and Japanese yen. They are strictly linked to the ordinary sale and purchase of goods.

Interest income increased from Euro 670 thousand in 2015 to Euro 1,119 thousand in 2016.

Financial expenses went from Euro 10,097 thousand in 2015 to Euro 12,674 thousand in 2016.

The following table shows the breakdown of financial expenses:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
EXCHANGE RATE LOSSES	(9,149)	(6,034)	(3,115)
INTEREST EXPENSES	(1,676)	(1,925)	250
OTHER FINANCIAL EXPENSES	(1,849)	(2,137)	289
TOTAL	**(12,674)**	**(10,097)**	**(2,577)**

Realised and unrealised exchange rate losses totalled Euro 6,034 thousand in 2015 and Euro 9,149 thousand in 2016. They mainly relate to the translation of items in US dollars and Japanese yen and are closely connected to the ordinary sale and purchase of goods.

Interest expenses dropped from Euro 1,925 thousand in 2015 to Euro 1,676 thousand in 2016, a decrease of 13%.

Other financial expenses dropped from Euro 2,137 thousand in 2015 to Euro 1,849 thousand in 2016. These expenses were related to the issuance of sureties by credit institutions to third parties on the Group's behalf. This item also includes premiums paid for exchange rate risk hedging agreements, as well as the recognition of their fair value.

6.11 TAXES

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

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
CURRENT CORPORATE INCOME TAX (IRES) (1)	-	(5,806)	5,806
CURRENT REGIONAL INCOME TAX (IRAP) (2)	-	(21)	21
DEFERRED TAXES	10,997	8,233	2,764
TOTAL	**10,997**	**2,406**	**8,591**

(1) IRES: Imposta sul Reddito delle Società (Corporate or Company Tax)
(2) IRAP: Imposta Regionale sulle Attività Produttive (Regional Tax on Production Activities)

The Parent Company incurred a lower tax burden in absolute terms than at 31 December 2015. Current taxes decreased from Euro 5,827 thousand to zero.

The Parent Company also recognised deferred tax assets totalling Euro 20,937 thousand and deferred tax liabilities of Euro 25 thousand. Deferred tax assets of Euro 9,987 thousand and deferred tax liabilities of Euro 71 thousand that were recognised in 2015 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.

(THOUSANDS OF EUROS)	31 DECEMBER 2016	31 DECEMBER 2015
PROFIT BEFORE TAX	(54,918)	(13,757)
RATE	27.50%	27.50%
THEORETICAL TAX	(15,102)	(3,783)
EFFECTIVE TAX	-	2,406
DIFFERENCE	**15,102**	**6,189**
IRAP	-	21
PERMANENT TAXES	-	(2,065)
USE OF TAX LOSSES CARRIED FORWARD	-	-
DEFERRED TAXES	15,102	8,233
TOTAL DIFFERENCE	**15,102**	**6,189**

6.12 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share are calculated on the basis of the Parent Company's performance given in Note 8.12 of the consolidated financial statements, which should be referred to.

STATEMENT OF FINANCIAL POSITION

6.13 PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2016, property, plant and equipment totalled Euro 60,093 thousand. The following is a summary of changes therein in 2016:

DESCRIPTION	HISTORICAL COST	INCREASES	DECREASES	HISTORICAL COST	ACC. AMORTISATION	AMORTISATION	UTILISATION	ACC. AMORTISATION	NET CARRYING AMOUNT	NET CARRYING AMOUNT
	AS AT 31/12/2015			AS AT 31/12/2016	AS AT 31/12/2015			AS AT 31/12/2016	AS AT 31/12/2015	AS AT 31/12/2016
PLANT AND EQUIPMENT	46,142	8,363	(116)	54,390	(21,148)	(2,660)	116	(23,693)	24,993	30,697
BUILDINGS	8,814	1,375	(1)	10,188	(6,248)	(1,585)	1	(7,832)	2,565	2,355
LEASEHOLD IMPROVEMENTS	8,814	1,375	(1)	10,188	(6,248)	(1,585)	1	(7,832)	2,565	2,355
INDUSTRIAL AND COMMERCIAL EQUIPMENT	4,011	773	(30)	4,754	(2,311)	(583)	29	(2,865)	1,702	1,889
OTHER ASSETS	18,718	13,647	(241)	32,124	(10,459)	(4,826)	202	(15,084)	8,258	17,040
FURNITURE AND FURNISHINGS	2,096	159	(59)	2,196	(1,653)	(220)	58	(1,815)	443	381
ELECTRONIC EQUIPMENT	16,503	13,488	(182)	29,809	(8,687)	(4,606)	144	(13,150)	7,816	16,659
OTHER TANG. ASSETS	119	-	-	119	(119)	-	-	(119)	-	-
ASSETS UNDER CONSTRUCTION AND PAYMENTS ON ACCOUNT	-	8,111	-	8,111	-	-	-	-	-	8,111
GENERAL TOTAL	77,685	32,270	(388)	109,566	(40,167)	(9,653)	347	(49,473)	37,519	60,093

The overall net increase in property, plant and equipment in 2016 amounted to Euro 22,574 thousand.

Capital expenditures mainly entailed investments in the highly automated technical and logistical platform. The Company has been investing in the project since the fourth quarter of 2010, and last year the project led to the development of two additional logistical centres in Landriano (PV) and Acqualagna (PU). These investments were mainly posted to assets under construction (Euro 8,111 thousand).

This involved an increase in the item "Plant and equipment" of Euro 8,363 thousand as well as the item "Buildings" in an amount equal to Euro 1,375 thousand, and in the item "Equipment" in the amount of Euro 773 thousand.

The total increase in "Other Assets", amounting to Euro 13,647 thousand, is due to the combined effect of the investment in new servers, PCs and monitors, also held under finance leases, for an increase of Euro 13,488 thousand, and investments made in furniture as regards the remainder.

During the year, the Company had the assets identified in the Plant and Machinery category appraised by specialist consultants. This appraisal showed that the Company's plant assets, relating almost exclusively to the automated logistics platform, had a longer useful life than that estimated at the end of the previous year.
Consequently, during the year, the Company defined a new rate for the asset category, which was reduced from 15% to 9%.

Depreciation during the year totalled Euro 9,653 thousand.

As at 31 December 2016, there were no liens or encumbrances on YOOX NET-A-PORTER GROUP S.p.A. property, plant and equipment.

Moreover, no impairment losses or revaluations were carried out on items of property, plant and equipment in 2016. In the period under review, no financial expenses were ascribed to asset entries in the statement of financial position.

6.14 INTANGIBLE ASSETS WITH FINITE USEFUL LIFE

Intangible assets amounted to Euro 91,981 thousand as at 31 December 2016.

The following is a summary of changes in intangible assets with finite useful life in 2016.

DESCRIPTION	HISTORICAL COST AS AT 31/12/2015	INCREASES	DECREASES	HISTORICAL COST AS AT 31/12/2016	ACC. AMORTISATION AS AT 31/12/2015	AMORTISATION	ACC. AMORTISATION AS AT 31/12/2016	NET CARRYING AMOUNT AS AT 31/12/2015	NET CARRYING AMOUNT AS AT 31/12/2016
DEVELOPMENT COSTS	95,472	19,058	-	114,530	(51,451)	(20,248)	(71,699)	44,021	42,831
SOFTWARE AND LICENCES	16,965	7,176	-	24,141	(9,434)	(5,733)	(15,167)	7,531	8,975
BRANDS AND OTHER RIGHTS	378	-	-	378	(259)	(25)	(284)	119	95
TRADEMARKS AND PATENTS	378	-	-	378	(259)	(25)	(284)	119	95
ASSETS UNDER DEVELOPMENT	-	40,081	-	40,081	-	-	-	-	40,081
OTHER	1,839	-	-	1,839	(1,839)	-	(1,839)	-	-
OTHER INTANGIBLE ASSETS	1,839	-	-	1,839	(1,839)	-	(1,839)	-	-
GENERAL TOTAL	114,655	66,315	-	180,969	(62,983)	(26,006)	(88,988)	51,671	91,981

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

Development costs

In 2016, this item increased by Euro 19,058 thousand. The Company made significant long-term investments in multi-year development projects for a total amount of Euro 47,894 thousand (including Euro 28,836 thousand in assets under construction).
These are costs incurred by YOOX NET-A-PORTER GROUP S.p.A. for specific projects aimed at the ongoing development of innovative solutions for the creation and management of online stores. The development projects were categorised on the basis of the issue for which the various procedures were carried out: development of e-commerce platform functionality, operational 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 to support the process of integrating with THE NET-A-PORTER GROUP, 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 7,176 thousand in this item includes expenditures with long-term benefits, principally relating to the acquisition of software licences to build the infrastructure of the Online Stores and the development of the new OMS (Order Management System). Euro 11,245 thousand was recorded for "Assets under development" for the development of integration software.

Assets under development and payments on account

We note that not all projects under development in 2016 were completed by 31 December 2016. These totalled Euro 40,081 thousand were due to IT and integration developments that have not been completed.

The amortisation for intangible assets with an indefinite useful life stood at Euro 26,006 thousand.

6.15 INVESTMENTS IN SUBSIDIARIES

The equity investments of YOOX NET-A-PORTER GROUP S.p.A. in subsidiaries as at 31 December 2016 were as follows:

- YNAP Corporation, formed in 2002 to manage sales activities in North America;
- YOOX Japan, formed in 2004 to manage sales activities in Japan;
- Mishang Trading (Shanghai) Co. LTD established in the fourth quarter of 2010 to manage sales in China;
- YOOX Asia Limited established in the second quarter of 2011 to manage sales in the Asia-Pacific area.
- Largenta Limited, a company subject to UK law, which holds the controlling interest in THE NET-A-PORTER GROUP.

COMPANY (FIGURES IN THOUSANDS OF EUROS)	REGISTERED OFFICES	CARRYING AMOUNT OF SUBSIDIARIES AS AT 31/12/2016	SHARE CAPITAL AS AT 31/12/2016	PERCENTAGE HELD AT 31/12/2016	EQUITY AS AT 31/12/2016 AND MEASUREMENT USING THE EQUITY METHOD	2016 NET INCOME
YNAP CORPORATION	100 FIFTH AVENUE, 12TH FLOOR, NEW YORK, NY, 10011	456	12.466	100% (*)	23,121	3,444
YOOX JAPAN	4F OAK OMOTESANDO, 3-6-1 KITA-AOYAMA, MINATO-KU TOKYO 107-0061	75	75	100%	8,052	1,220
MISHANG TRADING (SHANGHAI) CO. LTD	FLOOR 6, DONGLONG BUILDING NO 223 XIKANG ROAD, JING'AN DISTRICT 200050 SHANGHAI	6,000	6,000	100%	(5,545)	(6,551)
YOOX ASIA LIMITED	UNIT 2702 27/F, THE CENTRIUM, 60 WYNDHAM STREET CENTRAL, HONG KONG (CN)	91	91	100%	3,202	2,936
LARGENTA LIMITED	15 HILL STREET, LONDON (UK)	1,852,248	480,016	100%	201,945	107,131
TOTAL CARRYING AMOUNT OF INVESTMENTS		**1,858,870**				

(*) On 30 September 2016 the merger by incorporation was concluded of THE NET-A-PORTER GROUP LLC (a company wholly-owned by The Net--Porter Group Limited via NAP International Ltd and part of the Largenta Group, bought on 5 October 2015 by the YOOX Net-A-Porter Group), in the capacity of the acquired company, into YOOX Corporation (the company under the direct control of YNAP S.p.A. which owns the entire share capital) as the acquiring company, with effect from 1 October 2016.
The company resulting from the merger, later renamed YNAP Corporation, is, in accordance with the provisions of IFRS 10, under the dominant influence of YNAP S.p.A., which exercises direct control over 29.2% of the share capital and indirect control over the remaining 70.8% through the investment in the Largenta Group. This investment is therefore presented under Investments in subsidiaries in the YNAP S.p.A. financial statements.

In light of the substantial correspondence between the value of the investment in Largenta Limited and the value of the assets acquired in THE NET-A-PORTER GROUP acquisition, a unitary impairment test was carried out at consolidated level to check for the recoverability of the investment recognised in the separate financial statements of Yoox Net-A-Porter S.p.A. in Largenta Limited, a UK special purpose vehicle which has full control over THE NET-A-PORTER GROUP, as well as the recoverability of the goodwill arising in the YNAP consolidated financial statements from that acquisition. As a result, it should be kept in mind that the impairment test carried out at consolidated level also provides information about potential losses in value in terms of the separate financial statements, and therefore in order to check for the maintenance of the value of the investment in Largenta Limited.

The results of such analyses did not bring to light significant impacts for the Company's financial statements.

6.16 INVESTMENTS IN ASSOCIATED COMPANIES

The non-current item as at 31 December 2016 stood at Euro 701 thousand.

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
INVESTMENTS IN ASSOCIATED COMPANIES	701	329	371
TOTAL	701	329	371

As at 31 December 2016, the carrying amount was brought into line with the fair value identified as the percentage of ownership (49%) of the equity of the investee (positive Euro 371 thousand).

INVESTMENT	END OF YEAR DATE	OWNERSHIP %	INVESTMENT	INVESTMENT PROFIT/LOSS	EQUITY	SHARE OF PROFIT (LOSS)
E_LITE S.P.A. (ASSOCIATE)	31 DECEMBER	49%	701	770	1,430	377
TOTAL			701	770	1,430	377

The difference between the revaluation of equity (Euro 371 thousand) and the percentage of profit for the year (Euro 377 thousand) was due to the change in equity related to the translation reserve equal to negative Euro 6 thousand.

6.17 DEFERRED TAX ASSETS

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
DEFERRED TAX ASSETS	21,629	10,107	11,522
TOTAL	21,629	10,107	11,522

Changes in deferred tax assets during 2016 are shown in the following table:

DESCRIPTION	BALANCE AS AT 31/12/2015	INCREASES	UTILISATION	BALANCE AS AT 31/12/2016
DEFERRED TAX ASSETS	10,107	21,629	(10,107)	21,629
TOTAL	10,107	21,629	(10,107)	21,629

The following table shows a breakdown of deferred tax assets as at 31 December 2016.

DESCRIPTION OF TAXABLE ITEM	BALANCE AS AT 31/12/2016	2016 TAX RATE	TAX RECORDED IN 2016
TAXED ALLOWANCE FOR IMPAIRMENT	200	24.0%	50
INDEPENDENT AUDITORS' FEES	600	24.0%	144
PROVISIONS	16,160	OTHER%	3,883
UNISSUED CREDIT NOTES	520	27.9%	145
UNREALISED EXCHANGE RATE LOSSES	899	24.0%	216
UNPAID REMUNERATION OF DIRECTORS	1,593	24.0%	382
MERGER ANCILLARY COSTS	9,911	24.0%	2,379
FAIR VALUE DERIVATIVES	1,821	24.0%	437
TAX LOSS 2016	57,195	24.0%	13,727
CAPITAL INCREASE	997	24.0%	246
SUPER DEPRECIATION	63	24.0%	15
OTHER ITEMS	20	24.0%	5
TOTAL	89,979		21,629

Deferred tax assets rose by 114% from Euro 10,107 thousand as at 31 December 2015 to Euro 21,629 thousand as at 31 December 2016.

Deferred tax assets as at 31 December 2016 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;
- fair value of derivatives;
- unrealised exchange rate losses;
- merger-related ancillary costs;
- independent auditors' fees;
- the tax loss carried forward to subsequent years;
- capital increase costs;
- super depreciation (Law no. 208 of 28 December 2015).

6.18 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets as at 31 December 2016 stood at a total of Euro 146 thousand (Euro 106 thousand as at 31 December 2015):

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
GUARANTEE DEPOSITS	146	106	40
TOTAL	146	106	40

Guarantee deposits as at 31 December 2016 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.

6.19 INVENTORIES

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
INVENTORIES	235,181	229,039	6,142
TOTAL	235,181	229,039	6,142

The following is a breakdown of inventories as at 31 December 2016:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
INVENTORIES OF RAW MATERIALS, CONSUMABLES AND SUPPLIES	1,428	1,577	(149)
TOTAL	1,428	1,577	(149)
FINISHED PRODUCTS AND GOODS	248,297	246,257	2,040
PROVISION FOR OBSOLETE FINISHED PRODUCTS AND GOODS	(14,544)	(18,795)	4,251
TOTAL	233,753	227,463	6,291
TOTAL NET INVENTORIES	235,181	229,039	6,142

Inventories rose by 2.7% from Euro 229,039 thousand as at 31 December 2015 to Euro 235,181 thousand as at 31 December 2016, and relate to goods that have been purchased for subsequent resale online.

The observable inherent increase was only partially related to revenue growth in 2016. In fact, the Parent Company's business model calls for the procurement of merchandise in advance, which can affect the year before the sale season.

Goods from previous collections and/or obsolete goods are written down with a provision for obsolete inventories, calculated using the estimated realisable value of the goods. This estimate of realisable values also takes into account the expected effects of new sales policies.

The amount of the provision in 2016 for obsolete inventories and changes in the provision are shown below:

DESCRIPTION	BALANCE AS AT 31/12/2015	INCREASES	DECREASES	BALANCE AS AT 31/12/2016
PROVISION FOR OBSOLETE INVENTORIES	(18,795)	-	4,251	(14,544)
TOTAL	(18,795)	-	4,251	(14,544)

The provision 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. During the year it was readjusted to reflect the current estimate of salvage values.

6.20 TRADE RECEIVABLES

The breakdown of trade receivables as at 31 December 2016 and as at 31 December 2015 is as follows:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
DUE FROM CUSTOMERS	4,088	6,501	(2,413)
OTHER TRADE RECEIVABLES	6,950	4,362	2,588
DUE FROM FOREIGN SUBSIDIARIES	59,311	36,293	23,018
ALLOWANCE FOR IMPAIRMENT	(134)	(134)	-
TOTAL	70,215	47,020	23,193

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 2016:

DESCRIPTION	BALANCE AS AT 31/12/2015	INCREASES	DECREASES	BALANCE AS AT 31/12/2016
ALLOWANCE FOR IMPAIRMENT	(134)	-	-	(134)
TOTAL	(134)	-	-	(134)

The allowance for impairment covers specific risks relating to unpaid receivables and other receivables not considered recoverable. Provisions made in various periods adjust the receivables to their estimated realisable value, but in 2016 it was not necessary to make further allocations to the allowance for impairment since it was considered sufficient.

6.21 OTHER CURRENT ASSETS

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
OTHER CURRENT ASSETS	24,021	11,409	12,612
TOTAL	24,021	11,409	12,612

The following is a breakdown of other current assets as at 31 December 2016:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
OTHER RECEIVABLES	835	557	278
ALLOWANCE FOR IMPAIRMENT – RECEIVABLES FROM OTHERS	(221)	(221)	-
ADVANCES TO SUPPLIERS	20	119	(99)
ADVANCES TO EMPLOYEES	14	-	14
RECEIVABLES FROM ACQUIRERS	-	114	(114)
PREPAYMENTS AND ACCRUED INCOME	10,844	6,700	4,144
TAX RECEIVABLES	10,821	2,370	8,451
FINANCIAL RECEIVABLES FROM MISHANG TRADING CO LTD	1,708	1,770	(63)
TOTAL	24,021	11,409	12,612

“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 221 thousand in receivables for sums paid to the Parent’s tax representative in Greece and fully impaired.

Advances to employees include debt to employees for solidarity contributions, already cashed by the company in January 2017.

The item advances to suppliers shows the advances made to suppliers for services acquired in 2016 and for which the suppliers have yet to provide the service.

The “Prepayments” item mainly comprises costs relating to future periods but incurred in 2016. It mainly involves software licence fees, insurance costs, leasing costs, prepaid royalties for using brands and prepayments for professional consulting fees; the increase compared with 2015 is consistent with the increase in business volumes.

6.22 CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS

The breakdown of the item “Cash and cash equivalents” as at 31 December 2016 is as follows:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
BANK AND POSTAL ACCOUNTS	58,473	84,670	(26,197)
CASH AND CASH EQUIVALENTS ON HAND	7	11	(4)
TOTAL	58,480	84,680	(26,201)

The balance, entirely denominated in Euro except where expressly indicated, represents the cash and cash equivalents on hand at year end.

The following is a breakdown of current financial assets as at 31 December 2016:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
DUE FROM ACQUIRERS	3,994	3,266	728
INVESTMENTS	10,475	10,218	256
DUE FROM ASSOCIATE COMPANIES	-	240	(240)
PREPAYMENTS AND ACCRUALS	1,935	1,102	833
TOTAL	**16,404**	**14,826**	**745**

Current financial assets, equal to Euro 16,404 thousand, relate to receivables from acquirers, receivables from interest-bearing deposits, and the portion of financial expenses relating to future periods.

6.23 EQUITY

The breakdown of changes in equity as at 31 December 2016 is presented in a separate table.

The share capital amounting Euro 1,337,413.05 as at 31 December 2016 (Euro 1,301,258.85 as at 31 December 2015) increased during 2016 as a result of the increase in capital reserve by Euro 100 million, fully subscribed by Alabbar Enterprises S.à.r.l. on 19 April 2016 (Euro 35,714.28 as a share capital increase) and following the capital increase due to the exercise of 846 options, corresponding to 43,992 ordinary shares (Euro 493.92 as share capital increase).
Note that the above-mentioned increase in capital reserve was carried out with the exclusion of the option rights pursuant to Article 2441, paragraph 4, second part of the Italian Civil Code, by issuing 3,571,428 new ordinary shares at a price of Euro 28.00 per corresponding share, at a premium of 5.7% over the closing price of 18 April 2016 for a total amount of Euro 100 million (including share premium).

The reserves are composed as follows:

- share premium reserve and other capital reserves amounted to Euro 2,041,058 thousand as at 31 December 2016 (Euro 1,941,658 thousand as at 31 December 2015); this reserve increased during 2016: (i) following the registration of the share premium generated by the capital increase subscribed by Alabbar Enterprises S.à.r.l., by Euro 99,964 thousand; and (ii) by Euro 50 thousand following the exercise of Stock Options by beneficiaries. Other capital reserves for a negative figure of Euro 614 thousand are attributable to premium charges amounting to a negative figure of Euro 750 thousand, with a future capital increase amounting to a positive figure of Euro 136 thousand;

- the legal reserve, which totalled Euro 260 thousand as at 31 December 2016 (Euro 193 thousand as at 31 December 2015), consists of accruals of 5% of Parent Company profits every year. Over the year, following the Board of Directors' resolution, this was increased by Euro 67 thousand by the use of earnings carried forward by the Parent Company;

- reserve for future increases in share capital and share premium reserve, which amounted to EUR 136 thousand as at 31 December 2016 (zero as 31 December 2015), includes liabilities to individuals who had paid to exercise stock options as at 31 December 2016, but to whom the Company had not made the corresponding shares available by the end of the year;

- the purchase of treasury shares, with a negative balance of Euro 162 thousand, is recorded under the direct decrease in net equity in compliance with the arrangements of IAS 32;

- other reserves, equal to Euro 33,447 thousand as at 31 December 2016 (Euro 21,542 thousand as at 31 December 2015) include the fair value measurement of the stock options, equal to Euro 34,331 thousand as at 31 December 2016 (Euro 21,983 thousand as at 31 December 2015), the cash flow hedge reserve, equal to a negative value of Euro 824 thousand (negative in the amount of Euro 393 thousand as at 31 December 2015), and the reserve for actuarial gains and losses from the measurement of post-employment benefits, negative in the amount of Euro 60 thousand (negative at Euro 47 thousand as at 31 December 2015);

- retained earnings (losses carried forward) of Euro 24,767 thousand as at 31 December 2016 (Euro 36,184 thousand as at 31 December 2015), decreased by Euro 11,351 thousand due to the allocation of loss for 2015 and a decrease for their allocation to the legal reserve (Euro 67 thousand).

6.24 STOCK OPTION PLANS AND COMPANY INCENTIVE PLANS

Granting of stock options

Following approval of the share-split at the Extraordinary Shareholders' Meeting of the Parent Company on 8 September 2009, beneficiaries of the 2004-2006, 2006-2008 and 2007-2012 stock option plans exercising their options will be entitled to 52 ordinary shares of the Company for every option exercised. The "2015-2025 Stock Option Plan" calls for a ratio of one share for every option exercised.

With reference to the following Stock Option Plans reserved for employees, associates, consultants and directors of the Company and its subsidiaries, as at 31 December 2016 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 LAPSED OR NOT EXERCISED (D = A-B-C)*	*GRANTED, NOT VESTED*	*GRANTED, VESTED, NOT EXERCISABLE*	*GRANTED, VESTED AND EXERCISABLE*
2001 – 2003	80,575	31,560	49,015	-	-	-	-
2003 – 2005	36,760	3,000	33,760	-	-	-	-
2004 – 2006	32,319	12,650	19,169	500	-	-	500
2006 – 2008	31,303	200	25,690	5,413	-	-	5,413
2007 – 2012	102,600	3,650	86,235	12,715	-	-	12,715
2009 – 2014	94,448	24,599	69,849	-	-	-	-
2012 – 2015	1,500,000	-	1,500,000	-	-	-	-
TOTAL	**1,878,005**	**75,659**	**1,783,718**	**18,628**	**-**	**-**	**18,628**

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

STRIKE PRICES IN EURO	59.17	106.50	*TOTAL OPTIONS*	*TOTAL SHARES*
2004-2006	-	500	500	26,000
2006-2008	5,413	-	5,413	281,476
2007-2012	12,215	500	12,715	661,180
TOTAL	**17,628**	**1,000**	**18,628**	**968,656**

With reference to the "2015-2025 Stock Option Plan" approved by the Extraordinary General Meeting on 16 December 2015, the Company's Board of Directors approved the Plan Regulations on the same date.

As at 31 December 2016, in relation to the "2015-2025 Stock Option Plan", the following option rights (in the ratio of 1 new ordinary share for every 1 option exercised) had been granted by the Board of Directors, on the proposal of the Compensation Committee, with the breakdown given in the table below:

STOCK OPTION PLAN	GRANTED (A)	EXPIRED (B)	EXERCISED (C)	TOTAL GRANTED, NOT EXPIRED OR NOT EXERCISED (D = A-B-C)	GRANTED, NOT VESTED	GRANTED, VESTED, NOT EXERCISABLE	GRANTED, VESTED AND EXERCISABLE
2015 – 2025	6,667,147	400,000	-	6,267,147	6,267,147	-	-
TOTAL	**6,667,147**	**400,000**	**-**	**6,267,147**	**6,267,147**	**-**	**-**

The table below shows the exact prices for the options assigned that have not expired or been exercised.
In accordance with the provisions of the Plan, the subscription price of each share corresponds to the arithmetic mean of official prices registered for ordinary shares of YNAP on the Electronic Stock Exchange, on days the market is open for trading in the period between the Option Grant Date and the date on which the Options are assigned in the previous calendar month.

Strike price for the period	Euro 23.614	Euro 25.983	Euro 26.969	Euro 32.466	Total options	Total shares
2015-2025	90,000	610,000	124,000	5,443,147	6,267,147	6,267,147
TOTAL	**90,000**	**610,000**	**124,000**	**5,443,147**	**6,267,147**	**6,267,147**

Establishment of the Stock Option Plans and company Incentive Plans and subsequent changes

On 27 April 2012, the shareholders' meeting approved, pursuant to Article 114-bis of Legislative Decree, the establishment of an incentive and loyalty plan known as the "Stock Grant Plan" for employees of YOOX S.p.A. and the companies directly or indirectly controlled by it, to be implemented by the granting, free of charge, of a total of 550 thousand ordinary shares in YOOX S.p.A., giving the Board of Directors the mandate to adopt the relative regulations.
At the document date, the plan had not been implemented.

On 16 December 2015, the extraordinary shareholders' meeting approved, pursuant to Article 114-*bis* of Legislative Decree 58/1998, a new incentive and loyalty scheme known as the "2015-2025 Stock Option Plan" reserved for directors, executives and employees of YNAP and companies directly or indirectly controlled by it, to be implemented through the free granting of options valid for subscribing new issue YNAP ordinary shares.
The Plan provides for the issue of up to 6,906,133 new YNAP ordinary shares, with no indication of nominal value, with the same characteristics as those outstanding and with regular dividend rights.
On the same date, the Board of Directors also approved the Plan Regulation.

Share capital increases to service stock option plans

On 16 December 2015, the extraordinary shareholders' meeting approved the capital increase servicing the "2015-2025 Stock Option Plan", for a maximum nominal amount of Euro 69,061.33 through a capital contribution in one or more tranches, pursuant to Article 2441, paragraphs 5 and 6 of the Italian Civil Code and, therefore, with the exclusion of option rights, by issuing a maximum of 6,906,133 new YNAP ordinary shares, with no indication of nominal value, with the same characteristics as those outstanding and with regular dividend rights.
The deadline for subscription to the capital increase has been set as 31 December 2025, 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 Italian 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.

6.25 MEDIUM-/LONG-TERM FINANCIAL LIABILITIES - BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES

Bank loans and other financial liabilities stood at Euro 115,264 thousand a decrease of Euro 11,925 thousand compared with 31 December 2015 (Euro 127,189 thousand).

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
MEDIUM-/LONG-TERM FINANCIAL LIABILITIES	98,810	101,219	(2,409)
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	16,454	25,970	(9,516)
TOTAL	**115,264**	**127,189**	**(11,925)**

The following table shows the breakdown of debt as at 31 December 2016:

LENDING INSTITUTION	REMAINING AMOUNT	RATE	SHORT-TERM PORTION	MEDIUM-/LONG - TERM PORTION
BANCA SELLA	1,250	EURIBOR + 2.3%	1,250	-
EIB	27,245	FIX (AVG 1.66%)	8,999	18,246
BNL - BNP PARIBAS GROUP	20,625	EURIBOR + VARIOUS%	-	20,625
MEDIOCREDITO (INTESA)	26,250	EURIBOR + VARIOUS%		26,250
UNICREDIT	28,125	EURIBOR + VARIOUS%	-	28,125
FACTOR (IFITALIA)	1,506	EURIBOR + VARIOUS%	1,506	-
FINANCIAL LEASES	10,256	FIXED	4,691	5,565
ACCRUED LIABILITIES	*6*		*6*	-
TOTAL	**115,264**		**16,452**	**98,811**

The summarised details of loan agreements and lines of credit stipulated in 2016 are given below:

Syndicated loans
On 4 August 2016, a loan agreement was signed for a total of Euro 200,000 thousand, with UniCredit Bank AG as agent bank. UniCredit S.p.A. and Banca Nazionale del Lavoro are participating as lending and arranging banks (in the amounts of Euro 28,125 thousand and Euro 20,625 thousand as at 31 December 2016 respectively); Mediocredito Italiano S.p.A. in the Intesa San Paolo Group is acting as a lending bank (Euro 26,250 thousand as at 31 December 2016); and Banca IMI S.p.A. is acting as an arranging bank. Disbursement of the medium-/long-term loan was broken down into two tranches to be used in accordance with the purposes stated in the loan.
The term tranche with a maximum principal amount of Euro 75,000 thousand (“Tranche A”) was disbursed on 16 September 2016 solely to fully refinance existing credit facilities. This refinancing revoked the obligations of the lending banks in relation to the previous credit facilities. The first principal payment will be repaid as of 30 June 2018 and then half-yearly. IRS financial derivative contracts were signed with lending banks in relation to the disbursement of Tranche A.
With regard to Tranche B, the remaining amount to be disbursed will solely be used to cover Capex-related requirements.
For the purpose of calculating interest due, the period between the related Disbursement Date and Maturity Date (inclusive) was broken down into future six-month periods maturing on 30 June and 31 December of each year.
The interest rate is equal to the annual percentage resulting from the sum of Euribor for each interest period (subject to market fluctuations) and a margin of 0.85% p.a. However, the interest rate may not go below 0%.
For the entire term of the loan, the company must comply with current financial covenants reported on 30 June and 31 December of each calendar year starting with the reference date of 31 December 2016.

COMMITMENTS OF FINANCIAL NATURE (COVENANTS)

The Company, including for the purposes of Article 1461 of the Italian Civil Code, recognises that it is essential to comply with the financial covenants calculated on the basis of the consolidated financial statements in the name of YOOX NET-A-PORTER GROUP S.p.A., and acknowledges that the "Bank" can terminate the agreements if the financial situation reflected in the consolidated financial statements does not comply with any one of these covenants.

Below are the financial parameters for the loan agreed with Banca Nazionale del Lavoro, UniCredit and Banca Intesa:

1) the ratio between the Net Financial Position and EBITDA including the incentive plans should not be more than 2.5 until the total loan repayment;

2) the ratio between the Net Financial Position and the Shareholders' Equity should not be more than 1 times the total loan repayment.

The finance parameter for the loan taken out with the European Investment Bank is also provided:

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

2) the ratio between the Net Financial Position and the Shareholders' Equity should not be more than 0.8 times the total loan repayment.

YOOX NET-A-PORTER GROUP S.p.A. will notify the "Banks" of the above financial parameters on a half-yearly basis, on 30 June and 31 December every year until the due date.
If any one of the above covenants is not complied with, YOOX NET-A-PORTER GROUP S.p.A., without prejudice to the right of the "Bank" to terminate the agreement, undertakes to reach an agreement with the "Bank", within 30 business days of the request, over the financial and management measures necessary to ensure that the covenants in question fall within the terms set, or, alternatively, to repay the loan in advance on the due date of the interest period in progress.

In relation to the aforementioned financing agreed, it should be noted that as at 31 December 2016, just as at 31 December 2015, the aforementioned financial parameters were complied with by the Group.

As at 31 December 2016, financing with other credit institutions is not governed by compliance with parameters of a financial and commercial nature.

Net financial position

The table below gives a breakdown of net financial position as at 31 December 2016:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
CASH AND CASH EQUIVALENTS	58,480	84,680	(26,200)
CURRENT FINANCIAL ASSETS	16,404	14,826	1,578
OTHER CURRENT FINANCIAL ASSETS	672	103	569
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	(16,454)	(25,970)	9,516
OTHER CURRENT FINANCIAL LIABILITIES	(1,809)	(645)	(1,164)
CURRENT NET FINANCIAL POSITION	**57,293**	**72,994**	**(15,701)**
MEDIUM/-LONG-TERM FINANCIAL LIABILITIES	(98,810)	(101,219)	2,409
NET FINANCIAL POSITION[35]	**(41,517)**	**(28,224)**	**(13,293)**

In 2016, the Parent Company's net financial position declined by Euro 13,293 thousand, from negative Euro 28,224 thousand as at 31 December 2015 to negative Euro 41,517 thousand as at 31 December 2016.

6.26 EMPLOYEE BENEFIT LIABILITIES

This item refers exclusively to the post-employment benefits recorded by the Parent Company in accordance with current legislation. Changes in defined benefit plans for employees in 2016 are summarised below:

DESCRIPTION	BALANCE AS AT 31 DECEMBER 2015	PROVISIONS	UTILISATION	BALANCE AS AT 31 DECEMBER 2016
EMPLOYEE BENEFITS	154	60	61	153
TOTAL	154	60	61	153

35 Net debt (or net financial position) is the sum of cash and cash equivalents, other current financial assets, net of bank loans and other financial liabilities falling due within one year, other current financial liabilities, and medium-/long-term financial liabilities. Net debt (or net financial position) is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union. The 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 supplemented including claims vs. acquirers 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 employee benefits as at 31 December 2016 are summarised below:

ACTUARIAL ASSUMPTIONS USED FOR THE CALCULATIONS	
SURVIVAL TABLES	ISTAT SIM AND SIF TABLES FOR 2014
ANNUAL TURNOVER RATE	2.90%
LIKELIHOOD OF REQUESTS FOR SEVERANCE INDEMNITY ADVANCES	7.60%
ACTUALISATION RATE	1.31% (IBOXX CORPORATES AA € 10+)
INFLATION RATE	1.50%
% REQUESTS FOR ADVANCES	70.00%
NOMINAL REMUNERATION GROWTH RATE	1.50%

6.27 PROVISIONS FOR CURRENT AND NON-CURRENT RISKS AND CHARGES

This item reflects provisions for estimated current liabilities as at 31 December 2016, the timing and extent of which cannot be determined. The following table shows the breakdown of the item and changes in 2016:

DESCRIPTION	BALANCE AS AT 31/12/2015	INCREASES	ADJUSTMENTS	UTILISATION	BALANCE AS AT 31/12/2016
PROVISION FOR THEFT AND LOSS	150	352	-	(150)	352
PROVISION FOR FRAUD	193	271	-	(193)	271
OTHER PROVISIONS FOR RISKS AND CHARGES	-	357	-	-	357
TOTAL PROVISIONS FOR CURRENT RISKS AND CHARGES	**343**	**980**	**-**	**(343)**	**980**

During the year, Euro 150 thousand from the provision for theft and loss was used, and it was therefore deemed appropriate to proceed with a further accrual of Euro 352 thousand, following a new estimate.

During the year, Euro 193 thousand was utilised from the provision for fraud and it was therefore deemed appropriate to proceed with a further accrual of Euro 271 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.

Other provisions for risks and charges are for staff-related disputes.

6.28 DEFERRED TAX LIABILITIES

The following tables show the breakdown of, and changes in, deferred tax liabilities as at 31 December 2016:

DESCRIPTION	BALANCE AS AT 31/12/2015	INCREASES	UTILISATION	BALANCE AS AT 31/12/2016
DEFERRED TAX LIABILITIES	67	177	(67)	177
TOTAL	67	177	(67)	177

DESCRIPTION OF TAXABLE ITEM	BALANCE AS AT 31/12/2016	2016 TAX RATE	TAX RECORDED IN 2016
POSITIVE FAIR VALUE (CFH) OF DERIVATIVES	738	24%	177
TOTAL	738		177

6.29 TRADE PAYABLES

The following table shows a breakdown of trade payables as at 31 December 2016:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
DUE TO SUPPLIERS	191,992	144,651	47,341
CREDIT NOTES TO BE RECEIVED FROM SUPPLIERS	(1,690)	(3,812)	2,123
INVOICES TO BE RECEIVED FROM SUPPLIERS	33,196	38,296	(5,100)
DUE TO CREDIT CARD OPERATORS	54	48	6
TOTAL	223,551	179,182	44,369

Trade payables increased by 24.8%, from Euro 179,182 thousand as at 31 December 2015 to Euro 223,551 thousand as at 31 December 2016.

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. "Trade payables" 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.

6.30 TAX LIABILITIES

As at 31 December 2016, current tax liabilities on the income of YOOX NET-A-PORTER GROUP S.p.A. for the year, net of payments on account, are not shown.

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
CURRENT INCOME TAX LIABILITY	-	1,064	1,064
TOTAL	-	1,064	1,064

6.31 OTHER PAYABLES

The following table shows a breakdown of other payables as at 31 December 2016:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015	CHANGE
DUE TO SOCIAL SECURITY INSTITUTIONS	4,410	3,516	893
CREDIT NOTES TO BE ISSUED TO CUSTOMERS	5,536	14,388	(8,852)
DUE TO DIRECTORS	679	711	(32)
DUE TO EMPLOYEES	9,894	6,774	3,120
DUE TO TAX REPRESENTATIVES	9,828	10,795	(967)
OTHER PAYABLES	5,752	6,602	(850)
FINANCIAL DEBTS TO YASIA	2,040	1,975	65
FINANCIAL DEBTS TO YJAPAN	810	763	47
ACCRUED EXPENSES AND DEFERRED INCOME	1,861	668	1,193
TOTAL	**40,810**	**46,192**	**(5,382)**

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 relate to payables that will definitely arise for returns on sales made in 2016. This item increased in 2016 in line with the increase in sales volume over the previous period.

The item "Due to tax representatives" reflects indirect tax liabilities. Sales carried out in European countries during 2016 and 2015 exceeded the threshold set in Article 41, paragraph 1, section 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

6.32 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, 6.11 and 6.12 respectively.

In relation to the income tax of Euro 4,598 thousand allocated in 2016 (Euro 1,228 thousand in 2015), tax payments amounting to Euro 5,667 thousand were made (Euro 4,981 thousand in 2015) relating to tax outstanding for the previous year and payments on account, calculated in accordance with the respective tax regulations in force in Italy.

6.33 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.

6.34 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 relating to cash generated by or used in investing activities.

6.35 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.

6.36 OUTLAYS FOR INVESTMENTS IN 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.

6.37 OUTLAYS FOR INVESTMENTS IN OTHER INTANGIBLE ASSETS

Cash flow for investments in 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.

6.38 OUTLAYS FOR INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

No cash flow from investment was due to payments in the form of loans to hedge future losses during 2016.

6.39 OUTLAYS FOR INVESTMENTS AND PROCEEDS FROM DISPOSALS OF OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets as at 31 December 2016 stood at a total of Euro 106 thousand (Euro 106 thousand as at 31 December 2015).

Guarantee deposits at 31 December 2016 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.

6.40 PROCEEDS FROM INCREASES IN SHARE CAPITAL AND THE SHARE PREMIUM RESERVE

For information on total receipts for increases in share capital and the share premium reserve, see section 6.23, "Equity".

6.41 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.

6.42 ARRANGEMENT AND REPAYMENT OF SHORT-TERM FINANCIAL LIABILITIES

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

A. Accounting classification and fair value

The table below shows the carrying amount and fair value of each financial asset and liability, as well as the relative fair value hierarchy level.

31 DECEMBER 2016	CARRYING VALUE							FAIR VALUE			
THOUSANDS OF EUROS	NOTES	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE RECORDED IN INCOME STATEMENT	FAIR VALUE - HEDGING INSTRUMENTS	FINANCIAL LIABILITIES AT FAIR VALUE RECORDED IN INCOME STATEMENT	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS											
OTHER NON-CURRENT FINANCIAL ASSETS		146	-	-	-	-	**146**	-	-	-	**-**
TRADE RECEIVABLES		70,215	-	-	-	-	**70,215**	-	-	-	**-**
OTHER CURRENT ASSETS		23,349	-	672	-	-	**24,021**	-	672	-	**672**
CASH AND CASH EQUIVALENTS		58,480	-	-	-	-	**58,480**	-	-	-	**-**
TOTAL FINANCIAL ASSETS		**152,189**	**-**	**672**	**-**	**-**	**152,861**	**-**	**672**	**-**	**672**
FINANCIAL LIABILITIES											
BANK OVERDRAFTS		-	-	-	-	(2,756)	**(2,756)**	-	-	-	**-**
GUARANTEED BANK LOANS		-	-	-	-	-	**-**	-	-	-	**-**
NON-GUARANTEED BANK LOANS		-	-	-	-	(102,249)	**(102,249)**	-	(102,249)	-	**(102,249)**
LIABILITIES FOR FINANCIAL LEASES		-	-	-	-	(10,259)	**(10,259)**	-	(10,259)	-	**(10,259)**
TRADE PAYABLES		-	-	-	-	(223,551)	**(223,551)**	-	-	-	**-**
OTHER LIABILITIES		-	-	(1,809)	-	(38,971)	**(40,780)**	-	(1,809)	-	**(1,809)**
TOTAL FINANCIAL LIABILITIES		**-**	**-**	**(1,809)**	**-**	**(377,816)**	**(379,625)**	**-**	**(114,316)**	**-**	**(114,316)**

31 DECEMBER 2015		CARRYING VALUE						FAIR VALUE			
THOUSANDS OF EUROS	NOTES	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE RECORDED IN INCOME STATEMENT	FAIR VALUE - HEDGING INSTRUMENTS	FINANCIAL LIABILITIES AT FAIR VALUE RECORDED IN INCOME STATEMENT	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS											
OTHER NON-CURRENT FINANCIAL ASSETS		106	-	-	-	-	106	-	-	-	-
TRADE RECEIVABLES		47,020	-	-	-	-	47,020	-	-	-	-
OTHER CURRENT ASSETS		11,306	-	103	-	-	11,409	-	103	-	103
CASH AND CASH EQUIVALENTS		84,680	-	-	-	-	84,680	-	-	-	-
TOTAL FINANCIAL ASSETS		143,112	-	103	-	-	143,215	-	103	-	103
FINANCIAL LIABILITIES											
BANK OVERDRAFTS		-	-	-	-	(6,730)	(6,730)	-	-	-	-
GUARANTEED BANK LOANS		-	-	-	-	-	-	-	-	-	-
NON-GUARANTEED BANK LOANS		-	-	-	-	(117,846)	(117,846)	-	(117,846)	-	(117,846)
LIABILITIES FOR FINANCIAL LEASES		-	-	-	-	(2,613)	(2,613)	-	(2,613)	-	(2,613)
TRADE PAYABLES		-	-	-	-	(179,182)	(179,182)	-	-	-	-
OTHER LIABILITIES		-	-	(645)	-	(45,547)	(46,192)	-	(645)	-	(645)
TOTAL FINANCIAL LIABILITIES		-	-	(645)	-	(351,918)	(352,563)	-	(121,104)	-	(121,104)

B. Hierarchical levels of fair value measurement

In order to determine the fair value of financial instruments, the Company relies on measurement techniques based on observable market parameters (Mark to model), which are therefore included in level 2 of the fair value hierarchy identified in IFRS 13.
IFRS 13 identifies a hierarchy of measurement techniques based on three levels:

- Level 1: inputs are quoted prices in markets for identical assets or liabilities;
- Level 2: inputs are inputs other than quoted market prices included within Level 1 that are observable for the financial asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are unobservable; used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability.

In this regard, please recall that, in choosing the measurement techniques to be used, the Company adopts the following hierarchy:

a) use of prices found in markets, even if they are inactive, of identical instruments (Recent Transactions) or similar instruments (Comparable Approach);

b) use of measurement techniques based primarily on observable market parameters;

c) use of measurement techniques based primarily on unobservable market parameters.

The company has adopted procedures to assess the fair value of assets and liabilities using measurement techniques based on observable market parameters.

The Company determined the fair value of the derivatives in place as at 31 December 2016 using generally accepted measurement techniques for instruments of the type used by the Group.

The models applied for the measurement of instruments require calculations through the Bloomberg info provider. The input data used in the models are primarily observable market parameters (Euro, Yen and Dollar interest rate curve and official exchange rates at the measurement date) acquired from the Bloomberg info provider.

In 2016, there were no transfers from Level 1 to Level 2 or vice versa.

C. Financial risk management

The Company is exposed to the following risks deriving from the use of financial instruments:

- Credit risk, in relation to normal commercial dealings with customers as well as financing activities;
- Liquidity risk, in relation to the availability of financial resources and access to the credit and financial instruments market;
- Market risk, in relation to fluctuations in interest rates and exchange rates between the Euro and the other currencies used by the Group.

The Company's risk management policies aim to identify and analyse the risks to which the Company is exposed, establish appropriate limits and controls and monitor risks and compliance with those limits. These policies and the relative systems are revised on a regular basis to reflect any changes in market conditions and Company activities.

CREDIT RISK

Credit risk is the risk that a customer or financial instrument counterparty may cause a financial loss by not meeting a contractual obligation, and derives primarily from the Company's trade receivables and debt securities.
The carrying amount of financial assets represents the Company's maximum exposure to credit risk. 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.

CREDIT RISK WITH COMMERCIAL COUNTERPARTIES

Due to the type of business carried out by the Company, credit risk exposure is limited as collections take place at the time of sale (payments by credit card) or upon delivery in the case of payment on delivery of the merchandise (COD).
Credit risk related to any problem accounts subject to legal action or to overdue accounts is monitored centrally on a daily basis and reported each month.

CREDIT RISK WITH FINANCIAL COUNTERPARTIES

In relation to the credit risk deriving from other financial assets other than trade receivables, theoretical credit risk for the Company arises from the breach of a counterparty with a maximum exposure that is equal to the carrying amount of the financial asset recognised in the financial statements, as well as the nominal value of guarantees given on third-party debt or commitments specified in paragraph 9 of the Notes. The Company has policies in place that limit the amount of credit exposure to the various banks.
YOOX NET-A-PORTER Group S.p.A. has obtained lines of credit from leading Italian and international banks of high standing. Insofar as the Company is aware, there are no potential losses deriving from the impossibility of financial counterparties to meet their contractual obligations of a significant or appreciable amount.

LIQUIDITY RISK

Liquidity risk derives from possible difficulties in obtaining financial resources at an acceptable cost to conduct the Company's normal operating activities.
The factors that determine the liquidity situation of the Company are firstly the resources generated from or used in operating and investing activities, and secondly the maturity and renewal conditions of debt or the liquidity of financial commitments and market conditions.
The Company has adopted a series of policies and processes to optimise the management of financial resources in order to reduce liquidity risk:

- centralised management of payment and 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;
- obtaining adequate credit lines to create a suitable debt structure to best use, within the agreed short or long-term period, the financial resources granted by the lending system;
- 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.

In 2016, the Company met all economic and financial parameters set forth in the covenants of its outstanding loan agreements.

The table below provides an analysis of the contractual maturities, which also include interest, for financial liabilities.

NON-DERIVATIVE FINANCIAL LIABILITIES	CONTRACTUAL CASH FLOWS								
AMOUNTS IN THOUSANDS OF EUROS	CARRYING VALUE	TOTAL	WITHIN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-3 YEARS	3-4 YEARS	4-5 YEARS	MORE THAN 5 YEARS
BANK OVERDRAFTS	2,756	2,756	2,756	-	-	-	-	-	-
GUARANTEED BANK LOANS	-	-	-	-	-	-	-	-	-
NON-GUARANTEED BANK LOANS	102,249	102,249	4,495	4,509	30,516	30,599	21,435	10,695	-
LIABILITIES FOR FINANCIAL LEASES	10,259	10,259	2,380	2,314	3,218	2,348	-	-	-
TRADE PAYABLES	223,551	223,551	223,551	-	-	-	-	-	-

DERIVATIVE FINANCIAL LIABILITIES	CONTRACTUAL CASH FLOWS								
AMOUNTS IN THOUSANDS OF EUROS	CARRYING VALUE	TOTAL	WITHIN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-3 YEARS	3-4 YEARS	4-5 YEARS	MORE THAN 5 YEARS
HEDGING INTEREST RATE SWAP	(654)	(654)	(654)	-	-	-	-	-	-
HEDGING FORWARD CONTRACTS ON FOREIGN EXCHANGE	(483)	(483)	(483)	-	-	-	-	-	-

Cash inflows/(outflows) in the table above reflect the non-discounted contractual cash flows relating to derivative financial liabilities held for risk management purposes which, in general, are not settled before the agreement maturity date. The financial statement disclosures present net cash flows, if they relate to derivative financial instruments which establish net settlement in cash of the spread and gross inflows and outflows, if they relate to derivative financial instruments which establish simultaneous gross payments in cash.
The interest to be paid on variable rate loans and on bond issues specified in the table reflects the forward market interest rate at year-end and is influenced by changes in market rates. Future cash flows relating to the potential payment and derivative financial instruments could differ from the amount reported in the tables if the interest and exchange rates or the conditions of the underlying asset change. With the exception of these financial liabilities, the cash flows included in the maturities analysis are not expected to arise significantly in advance of the date expected or with considerably different amounts.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument could fluctuate as a result of changes in market prices, due to changes in exchange rates, interest rates or equity instrument prices. The objective of market risk management is to manage and control the Company's exposure to that risk within acceptable levels, while also optimising the return on investments.
For the YOOX NET-A-PORTER-GROUP, market risk arises in the form of currency and interest rate risk.

CURRENCY RISK

The Company is exposed to currency risk when sales, purchases and loans are expressed in a currency other than the functional currencies of each Group entity which are, primarily, the Euro, the UK pound and the US dollar. The Group is principally exposed towards the US dollar, the UK pound, the Japanese yen and, only to a marginal extent, the Chinese renminbi.
At all times, the Company covers the estimated exposure to changes in exchange rates with respect to expected sales over the next 12 months. In 2016, this exposure is hedged using US dollar and Japanese yen forward sale agreements and collar options on US dollars and Japanese yen entered into with leading domestic and international credit institutions with which the Group works on a daily basis.
All currency forward sale agreements and collar options have a term of less than one year after year-end close.
The Group companies are located in countries not belonging to the European Monetary Union, specifically the UK, the United States, Japan, China and Hong Kong. Since 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. 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 item "Translation reserve".

The table below summarises the quantitative data of the Group's exposure to currency risk:

VALUES IN THOUSANDS OF EUROS	31 DECEMBER 2016			
	USD	JPY	GBP	CNY
TRADE RECEIVABLES	13,378	5,837	657	3
OTHER CURRENT FINANCIAL ASSETS	-	-	218	-
TRADE PAYABLES	(5,948)	(653)	(11,315)	(18)
CASH AND CASH EQUIVALENTS	106	7,316	3,343	1,986
NET EXPOSURE IN THE STATEMENT OF FINANCIAL POSITION	7,536	12,499	(7,097)	1,971
HEDGING CONTRACTS	(873)	390	-	-
NET EXPOSURE	6,662	12,889	(7,097)	1,971

VALUES IN THOUSANDS OF EUROS	31 DECEMBER 2015			
	USD	JPY	GBP	CNY
TRADE RECEIVABLES	-	-	1,033	-
OTHER CURRENT FINANCIAL ASSETS	-	-	245	-
TRADE PAYABLES	(3,466)	(490)	(2,583)	-
CASH AND CASH EQUIVALENTS	2,672	171	6,801	1,474
NET EXPOSURE IN THE STATEMENT OF FINANCIAL POSITION	(794)	(319)	5,496	1,474
HEDGING CONTRACTS	91	(350)	-	-
NET EXPOSURE	(702)	(669)	5,496	1,474

The currency risk has been measured using a sensitivity analysis and the potential effects of exchange rate fluctuations on the consolidated financial statements as at 31 December 2016 have been analysed.
An appreciation (depreciation) in the Euro, and in the GBP, USD and JPY currencies with respect to all other currencies, would have had effects on the measurement of financial instruments expressed in foreign currency and involved an increase (decrease) in consolidated shareholders' equity and consolidated profit for the year in the amounts shown in the following table. This

analysis presupposes that all other variables, particularly interest rates, remain the same, and does not consider the effects of expected sales and acquisitions.

	PROFIT/(LOSS) FOR THE FISCAL YEAR		SHAREHOLDERS' EQUITY	
VALUES IN THOUSANDS OF EUROS	APPRECIATION	DEPRECIATION	APPRECIATION	DEPRECIATION
31 DECEMBER 2016				
USD (5% CHANGE)	(359)	397	42	(46)
JPY (5% CHANGE)	(595)	658	(19)	21
GBP (5% CHANGE)	338	(374)	-	-
CNY (5% CHANGE)	(94)	104	-	-
31 DECEMBER 2015				
USD (5% CHANGE)	38	(42)	87	96
JPY (5% CHANGE)	15	(17)	(333)	(368)
GBP (5% CHANGE)	(261)	288	-	-
CNY (5% CHANGE)	(70)	78	-	-

INTEREST RATE RISK

Interest rate risk arises when a change in interest rates adversely affects performance for the year.
Funding and credit lines available to the YOOX NET-A-PORTER GROUP are indexed to the Euribor, and therefore the Company is exposed to an increase in interest rates. In 2016, the Company decided to manage interest rate risk through recourse to Interest Rate Swap agreements hedging medium-/long-term loans.

The table below summarises the quantitative data of the Parent Company's exposure to interest rate risk:

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015
FINANCIAL RECEIVABLES	16,404	14,826
FINANCIAL LIABILITIES	(115,264)	(127,189)
CASH ON BANK ACCOUNTS	58,480	84,680
NET EXPOSURE IN THE STATEMENT OF FINANCIAL POSITION	(40,380)	(27,683)
HEDGING CONTRACTS	(1,137)	(542)
NET EXPOSURE	(41,517)	(28,224)

Interest rate risk is measured through the sensitivity analysis and the potential effects of fluctuations in interest rates on the consolidated financial statements as at 31 December 2016 were analysed. If interest rates changed by 100 bp at the year-end, shareholders' equity and the profit / (loss) for the year would increase or decrease by the amounts given in the table below. The analysis was conducted assuming that other variables, especially exchange rates, remained constant.

	PROFIT/(LOSS) FOR THE FISCAL YEAR		SHAREHOLDERS' EQUITY	
VALUES IN THOUSANDS OF EUROS	100 BP INCREASE	100 BP DECREASE	100 BP INCREASE	100 BP DECREASE
31 DECEMBER 2016				
VARIABLE RATE FINANCIAL INSTRUMENTS	-	-	258	(734)
INTEREST RATE SWAP	-	-	1,819	(1,457)
CASH FLOW SENSITIVITY (NET)	-	-	2,077	(2,191)
31 DECEMBER 2015				
VARIABLE RATE FINANCIAL INSTRUMENTS	-	-	289	(292)
INTEREST RATE SWAP	-	-	1,620	(1,704)
CASH FLOW SENSITIVITY (NET)	-	-	1,909	(1,997)

The following table shows transactions outstanding as at 31 December 2016 and 31 December 2015 and the related fair values:

FINANCIAL INSTRUMENT	NATURE OF HEDGED RISK	NOTIONAL VALUE		FAIR VALUE DERIVATIVES		CURRENT FINANCIAL ASSETS		OTHER FINANCIAL DEBTS	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
HEDGING TRANSACTIONS									
FORWARD SALES	CHANGE	50,518	29,207	(483)	103	(483)	103	-	-
IRS	INTEREST RATE	76,250	73,737	(654)	(645)	-	-	(654)	(645)
TOTAL		126,768	102,944	(1,137)	542	(483)	103	(654)	(645)

HEDGE ACCOUNTING – CASH FLOW HEDGING

The Company 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 2016, the Company put cash flow hedges into place in relation to a highly likely planned transaction.

The financial instruments in place as at 31 December 2016 are forward contracts stated at fair value in the reserve assets, as set out in IAS 39.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

Measured at amortised cost: 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.

8. INFORMATION PURSUANT TO IAS 24 ON MANAGEMENT REMUNERATION AND ON RELATED PARTIES

Related-party transactions, as defined under IAS 24, as at 31 December 2016 and as at 31 December 2015 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 those indicated by International Accounting Standard no. 24 (IAS 24) and those listed by way of example, but not limited to the following:

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.
    (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.

8.1 TRANSACTIONS WITH SUBSIDIARIES

The main relationships between YOOX NET-A-PORTER GROUP S.p.A. and its subsidiaries are chiefly commercial in nature and can be summarised as follows:

1. YOOX NET-A-PORTER GROUP S.p.A. supplies its subsidiaries with products for sale in the US and Japanese online stores;

2. YOOX NET-A-PORTER GROUP S.p.A. provides its subsidiaries with website maintenance, support services and updates;

3. YOOX NET-A-PORTER GROUP S.p.A. provides its subsidiaries with administrative, financial and legal services;

4. YOOX NET-A-PORTER GROUP S.p.A. provides its subsidiaries with customer service support (via a customer care centre located at the Italian head office that interfaces with Japanese and US customers using dedicated staff);

5. YOOX NET-A-PORTER GROUP S.p.A. provides its subsidiaries with advice and support in the areas of fashion, marketing, advertising and professional training.

YOOX NET-A-PORTER GROUP S.p.A. believes that none of the relationships between the Group companies or between the Group companies and related parties are considered to be atypical or unusual, and form part of the Group's ordinary business operations. The transactions were carried out under normal market (i.e. arm's-length) conditions.

The following tables indicate receivables and payables between the Company and other Group companies as at 31 December 2016 and 31 December 2015. Receivables and payables related to subsidiaries are expressed in GBP, USD, JPY, CNY and HDK and translated into Euros at the year-end exchange rate. Revenue and costs are expressed in GBP, USD, JPY, CNY and HKD and translated to EUR at the average exchange rate for the year in question.

31 December 2016

	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUES	COSTS
YNAP CORPORATION	18,215	355	1,762	-	95,944	1,682
YOOX JAPAN	7,921	-	99	819	40,099	130
MISHANG TRADING (SHANGHAI)	17,179	1,752	17	-	8,529	17
YOOX ASIA LTD	6,806	-	1	2,059	25,766	19
THE NET-A-PORTER GROUP LIMITED	7,933	937	2,183	-	7,551	3,024
THE NET-A-PORTER GROUP ASIA PACIFIC LTD	1,176	61	-	-	1,111	-
THE NET-A-PORTER GROUP CHINA LTD	4	4	-	-	-	-
TOTAL SUBSIDIARIES	59,234	3,109	4,062	2,878	179,000	4,873

31 December 2015

	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUES	COSTS
YNAP CORPORATION	14,385	-	81		93,186	113
YOOX JAPAN	7,835	-	17	763	29,639	22
MISHANG TRADING (SHANGHAI)	9,581	1,770	-		7,269	7
YOOX ASIA LTD	4,490	-	5	1,975	17,576	12
TOTAL SUBSIDIARIES	36,291	1,770	103	2,738	147,670	154

8.2 TRANSACTIONS WITH OTHER RELATED PARTIES

The tables below show the Company's main financial and commercial relations with related parties other than Group companies as at 31 December 2016 and as at 31 December 2015, excluding intra-group relations, which are summarised 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.

31 December 2016

DESCRIPTION	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUES	COSTS
STUDIO LEGALE ASSOCIATO D'URSO GATTI E BIANCHI	-	-	573	-	-	1,574
BIZMATICA SISTEMI S.P.A.	-	-	19	-	-	330
TARTER KRINSKY E DROGIN LLP	-	-	47	-	-	44
RICHEMONT INTERNATIONAL SA	-	-	24	-	-	24
RICHEMONT ITALIA SPA	-	-	1,904	-	-	3,761
PETER MILLAR INC	-	-	51	-	-	52
ALFRED DUNHILL LIMITED	15	-	-	-	334	-
CHLOE' INTERNATIONAL SAS	7	-	32	-	292	57
MONTBLANC ITALIA SRL	20	-	127	-	65	149
E_LITE	-	-	10,163	-	6,232	-
TOTAL RELATED PARTIES	**42**	**-**	**12,941**	**-**	**6,923**	**5,991**

31 December 2015

DESCRIPTION	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUES	COSTS
STUDIO LEGALE ASSOCIATO D'URSO GATTI E BIANCHI	-	-	25	-	-	3,913
BIZMATICA SISTEMI S.P.A.	-	-	190	-	-	297
RICHEMONT INTERNATIONAL SA	-	-	-	-	-	73
ALFRED DUNHILL LIMITED	90	-	97	-	259	40
E_LITE	72	240	9,216	-	16,271	-
TOTAL RELATED PARTIES	**162**	**240**	**9,528**		**16,530**	**4,323**

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

- Studio Legale D'Urso Gatti e Associati: a partner in the law firm is a director of the Parent;
- Tarter Krinsky and Drogin LLP: a partner in the law firm is a member of the Board of Directors of one of the Group's companies (YOOX Corporation);
- Bizmatica Sistemi S.p.A.: the chairman of the company is the son of a member of the Board of Directors of a Group company (YOOX S.p.A.);
- E_lite: it is a 49% owned subsidiary.
- Richemont International SA: it is a company belonging to the Richemont Group;
- Alfred Dunhill Limited, Chloè International S.A.S., Peter Millar Inc., Richemont Italia S.p.A., Montblanc Italia S.r.l.: they are suppliers of brand goods belonging to the Richemont Group.

None of the transactions that took place with related parties in the period ended 31 December 2016 and in the year 2015 was significant (except as mentioned above), atypical and/or unusual.

8.3 REMUNERATION OF SENIOR MANAGERS AND OTHER KEY PERSONS IN THE COMPANY

The senior management and key persons with strategic responsibility for management, planning and administration in the Group are, in addition to executive and non-executive directors, the Chief Financial & Corporate Officer, the Chief Operating Officer and the PMI & Operational Excellence Director.

The gross annual remuneration of the above persons, inclusive of all forms of remuneration (including gross pay, bonuses and fringe benefits), as well as bonuses accrued but not paid out that are subject to the achievement of long-term objectives, are reported in the following table together with the fees of the members of the Board of Statutory Auditors:

31 December 2016

DESCRIPTION	SHORT-TERM BENEFITS	LONG-TERM BENEFITS	STOCK OPTION PLANS AND COMPANY INCENTIVE PLANS
DIRECTORS	2,118	1,000	6,655
STATUTORY AUDITORS	71		
MANAGEMENT PERSONNEL WITH STRATEGIC RESPONSIBILITIES	1,462	65	1,056
TOTAL	**3,651**	**1,065**	**7,712**

31 December 2015

DESCRIPTION	SHORT-TERM BENEFITS	LONG-TERM BENEFITS	STOCK OPTION PLANS AND COMPANY INCENTIVE PLANS
DIRECTORS	2,743	800	1,261
STATUTORY AUDITORS	71	-	-
MANAGEMENT PERSONNEL WITH STRATEGIC RESPONSIBILITIES	1,547	58	37
TOTAL	**4,362**	**858**	**1,298**

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.

9. OTHER INFORMATION

COMMITMENTS AND GUARANTEES

DESCRIPTION	BALANCE AS AT 31/12/2016	BALANCE AS AT 31/12/2015
THIRD-PARTY ASSETS HELD BY THE COMPANY	125,191	110,787
SURETIES GIVEN TO OTHERS	2,900	2,885
COMMITMENTS UNDER HEDGING CONTRACTS (NOMINAL VALUE)	126,768	102,944

The warehouses of the companies hold goods worth Euro 125,191 thousand received on a sale-or-return basis from YOOX NET-A-PORTER GROUP S.p.A.'s partners. The increase compared with the previous fiscal year was due exclusively to the increase in sales in the last quarter of the mono-brand online stores that store goods at our warehouses.

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

- the contract agreed by the Parent Company with SINV, with effect from 12 May 2015, for a period of nine months, which may be renewed at the end of the contract, for the rental of office premises in Milan. The surety amounts to Euro 356,526.50 and will expire on 1 January 2019;

- the contract agreed by the Company with Oslavia, with effect from 19 September 2014 for a period of six years, for the rental of office premises in Via Lombardini, Milan. The surety amounts to Euro 20,934.15 and expires on 31 July 2020;

- the contract concluded by the Company following the repayment of the Global Collect guarantee deposit of Euro 1,200,000, after UniCredit issued a bank guarantee for the same amount, expiring on 30 June 2017;

- the contract agreed with Logistica Bentivoglio S.r.l. with effect from 28 December 2010 and expiring on 31 December 2017 to guarantee compliance with obligations under the rental agreement for the warehouse at the Bentivoglio Blocco 9.5 Interporto for Euro 564,052;

- the contract agreed by the Company with Despina S.p.A. to guarantee compliance with obligations under a rental contract with effect from 12 February 2015, relating to office premises at Via Nannetti 1 in Zola Predosa. The amount of the surety is Euro 400,000 expiring on 1 February 2018;

- the contract agreed with Geodis Logistic S.p.A. with effect from 13 February 2013 and expiring on 30 January 2019 to guarantee compliance with obligations under the rental agreement for the warehouse and offices at the Interporto for Euro 103,621;

- the contract agreed with Generali Italia Immobiliare, with effect from 25 July 2013 and expiring on 13 September 2019, for the rental of office space in Casalecchio di Reno in via del Lavoro. The amount of the surety is Euro 31,140.

- the contract agreed with Vailog S.r.l. to guarantee compliance with obligations under the rental agreement for the warehouse and offices at the freight depot with effect from 4 November 2016 and expiring on 30 November 2025. The amount of the surety is Euro 224,000.

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 50,518 thousand;

- interest rate swaps signed by the Parent Company to hedge the interest rate risk related to the medium-/long-term loan agreed for financing the new techno-logistics platform. The nominal amount of commitments at the reporting date is Euro 76,250 thousand.

10. SUBSEQUENT EVENTS

IN-SEASON MULTI-BRAND

The beginning of the new year saw major additions to the unmatchable portfolio of In-Season brands, with the launch of the ready-to-wear range by Alaïa exclusive to NET-A-PORTER in January 2017, which completed the existing range of shoes, bags and other accessories. In February 2017, the first menswear collection by Stella McCartney was also introduced on MR PORTER.

Furthermore, following the debut in 2016 of the "T collection" by Tiffany, Tiffany & Co. and NET-A-PORTER – the only online retail partner authorised for Tiffany & Co. Jewellery – the scope of their global partnership was extended through the Infinity jewellery collection and Tiffany & Co. watches, available from January 2017.

MULTI-BRAND OFF-SEASON

In line with the strategy for expanding the supply of products, in January 2017, THE OUTNET launched The Activewear Boutique, a dedicated section of the online store with a curated selection of clothing, accessories and performance footwear, all accompanied by editorial content from sector insiders.

ONLINE FLAGSHIP STORES

YOOX NET-A-PORTER GROUP continued to implement its dynamic management strategy of its mono-brand portfolio, aimed at profitability.
The Group further strengthened its omni-channel capacity for its Brand partners, in order to enable their end consumers to benefit from an integrated offline and online experience: specifically, the Group is laying the groundwork for launching its first new-generation omni-channel partnership for one of the Group's brand partners. YOOX NET-A-PORTER GROUP also continued to release existing innovative omni-channel features to a larger number of online flagship stores, including Click from store, Check online in-store availability, Click & collect and Return in store for Moncler.
YOOX NET-A-PORTER GROUP S.p.A. and Diesel S.p.A (part of OTB group) jointly decided to terminate the Diesel online store management agreement at the end of March and to refocus on the partnership between Diesel and YNAP on YOOX.COM. Diesel.com accounted for approximately 1% of YOOX NET-A-PORTER GROUP's net revenues in 2016.
The partnership between YOOX NET-A-PORTER GROUP and OTB group – the holding company of many leading brands in the fashion and luxury sector – continues successfully, with the management of the online flagship stores of Maison Margiela, Marni and Just Cavalli until 2020/2021.

UPDATES ON INTEGRATION

In January 2017, in line with the forecasts, the Group successfully completed its convergence to a common Enterprise Resource Planning ("ERP") software, by migrating the former THE NET-A-PORTER GROUP to the solution previously adopted by the former YOOX GROUP. The shared ERP enables a simpler, more scalable access to the back-office systems of the entire Group and will be a key element for implementing the omni-stock programme.

ASSIGNMENT OF SHARES FOLLOWING THE EXERCISE OF STOCK OPTIONS

After the close of the period, on 12 January 2017, 78,000 YNAP ordinary shares were assigned following the exercise of 1,500 options, whose details are described in the table below:

STOCK OPTION PLANS	*ASSIGNMENT DATE*	*106.5*	*59.17*	*TOTAL OPTIONS*	*TOTAL SHARES AFTER DIVISION*
2003–2005	04/02/2009	1,000		1,000	52,000
2006–2008	03/03/2007		500	500	26,000
TOTAL		1,000	500	1,500	78,000

As a result of the above, YNAP S.p.A.'s new share capital as at the date of this Report amounted to Euro 1,338,193.05, represented by 133,819,305 shares with no par value, of which 90,913,167 ordinary shares and 42,906,138 B Shares.

BUSINESS OUTLOOK

YOOX NET-A-PORTER GROUP expects to achieve an increase in net revenues, in line with its Five-Year Plan and to achieve an improved margin in terms of adjusted EBITDA in 2017: as a leader in the three luxury e-commerce segments in which it operates, the Group is uniquely positioned to best support the entire luxury sector by fully leveraging the digital potential. Specifically, it is expected that the In-Season Multi-brand business line will further enrich its brand portfolio: the launch of new prestigious brands and exclusive capsule collections is specifically expected, major development in the new high-end jewellery and watches category, as is the launch of the MR PORTER private label. In addition, this business line will further enhance its range of products with the aim of increasing user engagement and will improve the luxury service with a specific focus on the highest-spending customer base. It is expected that the Off-Season Multi-brand business line will mainly benefit from the launch of the international expansion of THE OUTNET, the further enrichment in the range of brands and products, including the debut of the YOOX private label, as well as continuous improvements in the service offered. Finally, it is expected that the growth of the Online Flagship Stores business line will benefit from significant progress in its omni-channel range and from major upgrades to the front-end platform, including customisation and enhanced precision marketing abilities. Furthermore, this business line will see additional progress in business development,
including the launch of isabelmarant.com. The Group plans to invest between approximately Euro 160 and Euro 170 million in 2017, mainly in technology. These investments will be specifically dedicated to the launch of a new e-commerce platform for THE OUTNET and for selected online flagship stores, as well as to the completion of the omni-stock programme for the Off-Season business, major steps for creating a shared global techno-logistics platform. YOOX NET-A-PORTER GROUP will also make significant progress in developing its operations: specifically, the opening of the new 12 office and new distribution centre in Dubai, new photographic studios and logistics areas for the Interporto logistics centre in Bologna, as well as the continuation of construction works on the In-Season logistics hub in Milan, which will be equipped with an advanced automated Order Storage & Retrieval System. Finally, the Group will further improve its delivery services and return services to set new standards in luxury e-commerce.

BOARD OF DIRECTORS' RESOLUTION PROPOSED TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

We would therefore like to make following proposals to you:

- to approve the separate financial statements of YOOX NET-A-PORTER GROUP S.p.A. as at 31 December 2016, which report a net loss of Euro 43,920,817.36 (forty-three million, nine hundred and twenty thousand, eight hundred and seventeen euros and thirty-six euro cents), together with this Directors' Report;

- to increase the legal reserve to up to Euro 267,482.61 (two hundred and sixty-seven thousand, four hundred and eighty-two euros and sixty-one euro cents), equal to 20% of the share capital subscribed and paid up of Euro 1,337,413.05 (one million, three hundred and thirty-seven thousand, four hundred and thirteen euros and five euro cents), applying to the "Retained earnings and losses reserve".

- to cover the loss for the period through the use of the "Retained earnings and losses reserve" by Euro 24,758,739.88 (twenty-four million seven hundred and fifty-eight thousand seven hundred and thirty-nine/88) and the partial use of the "Share premium reserve" by 19,162,077.48 (nineteen million, one hundred and sixty two thousand and seventy seven/48);

We also suggest that you acknowledge that the YNAP Group's consolidated financial statements as at 31 December 2016 show a net profit of Euro 33,930,144.59 (thirty-three million, nine hundred and thirty thousand, one hundred and forty-four euros and fifty-nine euro cents).

Milan, 1 March 2017
For the Board of Directors

Chairman of the Board of Directors
Raffaello Napoleone

ANNEX 1

Separate income statement as at 31/12/2016 prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

	31 DECEMBER 2016			31 DECEMBER 2015		
INCOME STATEMENT	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
THOUSANDS OF EUROS: NET REVENUES						
NET SALES	**578,904**	**6,923**	**1.2%**	**517,829**	**16,530**	**3.2%**
COST OF GOOD SOLD	(445,229)	(4,043)	0.9%	(373,367)	(113)	0.0%
FULFILMENT COSTS	(52,704)			(50,990)		
SALES AND MARKETING COSTS	(40,949)	(358)	0.9%	(32,180)	(379)	1.2%
GENERAL EXPENSES	(85,814)	(14,018)	16.3%	(50,576)	(10,348)	20.5%
OTHER INCOME AND EXPENSES	(6,011)			(4,087)		
NON-RECURRING EXPENSES	-			(18,366)		
OPERATING PROFIT	**(51,803)**			**(11,736)**		
RESULT OF EQUITY INVESTMENTS	3,571			3,160		
FINANCIAL INCOME	5,988			4,916		
FINANCIAL EXPENSES	(12,674)			(10,097)		
PROFIT BEFORE TAX	**(54,918)**			**(13,757)**		
TAXES	10,997			2,406		
NET INCOME FOR THE FISCAL YEAR	**(43,921)**			**(11,351)**		

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ANNEX 2

Statement of financial position as at 31/12/2016, prepared in accordance with CONSOB Resolution 15519 of 27 July 2006 and CONSOB Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

	31 DECEMBER 2016			31 DECEMBER 2015		
STATEMENT OF ASSETS AND LIABILITIES	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
AMOUNTS IN THOUSANDS OF EURO AND PERCENTAGE WEIGHTING ON INDIVIDUAL ITEMS						
NON-CURRENT ASSETS						
PROPERTY, PLANT AND EQUIPMENT	60,093			37,519		
INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	91,981			51,671		
EQUITY INTERESTS IN SUBSIDIARY COMPANIES	1,858,870			1,856,850		
INVESTMENTS IN ASSOCIATES	701			329		
DEFERRED TAX ASSETS	21,629			10,107		
OTHER NON-CURRENT FINANCIAL ASSETS	146			106		
TOTAL NON-CURRENT ASSETS	**2,033,419**			**1,956,582**		
CURRENT ASSETS						
INVENTORIES	235,181			229,039		
TRADE RECEIVABLES	70,215	42	0.1%	47,020	162	0.3%
OTHER CURRENT ASSETS	24,021			11,409		
CASH AND CASH EQUIVALENTS	58,480			84,680		
CURRENT FINANCIAL ASSETS	16,404			14,826	240	1.6%
TOTAL CURRENT ASSETS	**404,300**			**386,975**		
TOTAL ASSETS	**2,437,720**			**2,343,556**		
SHAREHOLDERS' EQUITY						
SHARE CAPITAL	1,337			1,301		
RESERVES	2,074,602			1,963,231		
RESERVES FOR RETAINED PROFITS AND LOSSES	24,766			36,184		
NET INCOME FOR THE FISCAL YEAR	(43,921)			(11,351)		
TOTAL SHAREHOLDERS' EQUITY	**2,056,785**			**1,989,365**		

	31 DECEMBER 2016			31 DECEMBER 2015		
STATEMENT OF ASSETS AND LIABILITIES	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
NON-CURRENT LIABILITIES						
MEDIUM/-LONG-TERM FINANCIAL LIABILITIES	98,810			101,219		
EMPLOYEE BENEFITS	153			154		
PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	-			-		
DEFERRED TAX LIABILITIES	177			67		
TOTAL NON-CURRENT LIABILITIES	99,140			101,440		
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	16,454			25,970		
PROVISIONS FOR RISKS AND CHARGES	980			343		
TRADE PAYABLES	223,551	12,941	5.8%	179,182	9,528	5.3%
TAX LIABILITIES	-			1,064		
OTHER PAYABLES	40,810			46,192		
TOTAL CURRENT LIABILITIES	281,795			252,752		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,437,720			2,343,556		

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ANNEX 3

Statement of cash flows for the year ended 31/12/2016, prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

	31 DECEMBER 2016			31 DECEMBER 2015		
STATEMENT OF CASH FLOWS	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
NET INCOME FOR THE FISCAL YEAR	(43,921)			(11,351)		
ADJUSTMENTS FOR:						
TAXES FOR THE FISCAL YEAR	(10,997)			(2,406)		
FINANCIAL EXPENSES DURING THE FISCAL YEAR	12,674			10,097		
FINANCIAL INCOME DURING THE FISCAL YEAR	(5,988)			(4,916)		
DIVIDENDS	(3,199)			(2,568)		
SHARE OF EARNINGS FROM ASSOCIATES	(371)			(592)		
AMORTISATION AND IMPAIRMENT LOSSES FOR THE FISCAL YEAR	35,659			29,085		
FAIR VALUE ADJUSTMENT OF STOCK OPTION PLANS	10,294			1,454		
LOSSES/(GAINS) ON SALE OF NON-CURRENT ASSETS	33			38		
PROVISIONS FOR EMPLOYEE BENEFITS	60			60		
PROVISIONS FOR RISKS AND CHARGES	980			343		
PAYMENT OF EMPLOYEE BENEFITS	(61)			(70)		
USE OF PROVISIONS FOR RISKS AND CHARGES	(343)			(273)		
CHANGES IN INVENTORIES	(6,142)			(47,071)		
CHANGES IN TRADE RECEIVABLES	(23,194)	121	-0.5%	1,707	(160)	-9.4%
CHANGES IN TRADE PAYABLES	44,370	3,413	7.7%	32,707	6,006	18.4%
CHANGES IN OTHER CURRENT ASSETS AND LIABILITIES	(19,146)			17,228		
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	(9,294)			23,473		
INCOME TAX PAID	(1,478)			(4,981)		
INTEREST AND OTHER FINANCIAL EXPENSES PAID	(12,674)			(10,097)		
INTEREST AND OTHER FINANCIAL INCOME RECEIVED	5,988			4,916		
DIVIDENDS DRAWN	3,199			2,568		
CASH FROM (USED IN) OPERATING ACTIVITIES	(14,258)			15,879		
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	(26,778)			(17,293)		

	31 DECEMBER 2016			31 DECEMBER 2015		
STATEMENT OF CASH FLOWS	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
ACQUISITION OF INTANGIBLE ASSETS	(65,165)			(34,809)		
ACQUISITION OF STAKES IN SUBSIDIARIES	-			(9,637)		
ACQUISITION OF STAKES IN ASSOCIATES	-			-		
ACQUISITION OF OTHER NON-CURRENT FINANCIAL ASSETS	(40)			(6)		
CASH FROM (USED IN) INVESTING ACTIVITIES	**(91,984)**			**(61,745)**		
FINANCING ACTIVITIES						
NEW SHORT-TERM LIABILITIES	82			9,584		
REPAYMENT OF SHORT-TERM LIABILITIES	(11,730)			(10,901)		
NEW MEDIUM-/LONG-TERM FINANCIAL LIABILITIES	75,000			49,420		
REPAYMENT OF MEDIUM-/LONG-TERM FINANCIAL LIABILITIES	(81,919)			(13,214)		
TREASURY SHARE ACQUISITION	-			-		
PAYMENT FOR SHARE CAPITAL INCREASE AND SHARE PREMIUM RESERVE	100,186			15,637		
INVESTMENTS IN OTHER FINANCIAL ASSETS	(1,578)	240	-15.2%	(10,982)		
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**80,041**			**39,545**		
TOTAL CASH FLOW FOR THE FISCAL YEAR	**(26,201)**			**(6,321)**		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	84,680			91,001		
CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR	58,480			84,680		
TOTAL CASH FLOW FOR THE FISCAL YEAR	**(26,201)**			**(6,321)**		

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ANNEX 4

Summary statement of consideration paid during the fiscal year for services provided to the Parent Company by the independent auditors and other entities belonging to the same network as the independent auditors, prepared in application of Article 149-*duodecies* of Issuers' Regulation no. 11971 of 13 May 1999 and subsequent amendments.

TYPE OF SERVICE	SERVICE PROVIDER	RECIPIENT	Amounts (thousands of Euros)
AUDITING			
AUDITING	KPMG S.P.A.	PARENT	1,340
CERTIFICATION SERVICES			
CERTIFICATION SERVICES	KPMG S.P.A.	PARENT	357
OTHER SERVICES			
OTHER SERVICES	KPMG S.P.A. AND KPMG NETWORK	PARENT	355
TOTAL			2,052

The amounts shown in the table, relating to the year 2016, are those agreed by contracts, including any indexing (but not including pocket expenses, any supervisory fees and VAT).

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Certification of the consolidated financial statements as at 31 December 2016 pursuant to Article 81-ter of Consob regulation 11971 of 14 May 1999 as subsequently amended and supplemented

YNAP Group

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2016 PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

The undersigned, Federico Marchetti, as CEO of YOOX NET-A-PORTER GROUP S.p.A. (the "**Issuer**"), and Enrico Cavatorta, as Director responsible for preparing the corporate accounting documents of the Issuer, hereby certify, also taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- Their suitability with regard to the characteristics of the company, and;
- The effective application of the administrative and accounting procedures for the preparation of the Issuers' separate financial statements for 2016.

We also hereby certify that:
The Issuers' separate financial statements as at 31 December 2016:

- Have been prepared in compliance with the international accounting standards adopted by the European Union pursuant to (EC) regulation 1606/2002 of the European Parliament and Council of 19 July 2002;
- Correspond to the entries in the ledgers and records;
- Are suitable for providing a truthful and accurate representation of the Issuers' income statements, statement of financial position and statement of cash flows.

The report on operations includes a reliable analysis of the operating performance and result as well as the situation of the Issuer together with a description of the main risks and uncertainties to which it is exposed.

The CEO

[Signture]
Federico Marchetti

The Director in charge of preparing the corporate accounting documents
[Signature]
Enrico Cavatoria

Report of the Independent Auditors on the financial statements

KPMG S.p.A.
Revisione e organizzazione contabile
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40131 BOLOGNA BO
Telefono +39 051 4392511
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PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
YOOX NET-A-PORTER GROUP S.p.A.

Report on the separate financial statements

We have audited the accompanying separate financial statements of YOOX NET-A-PORTER GROUP S.p.A. (the "company"), which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows as at and for the year ended 31 December 2016 and notes thereto.

Directors' responsibility for the separate financial statements

The company's directors are responsible for the preparation of separate financial statements that give a true and fair view 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.

Independent auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the company's financial position as at 31 December 2016 and of its financial performance and cash flows for the year then ended 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.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and shareholding structure with the separate financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and shareholding structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the company's directors, with the separate financial statements. In our opinion, the directors' report and the information presented in the report on corporate governance and shareholding structure referred to above are consistent with the separate financial statements of YOOX NET-A-PORTER GROUP S.p.A. as at and for the year ended 31 December 2016.

Bologna, 2 March 2017

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

Report of the Board of Statutory Auditors to the Shareholders' Meeting on the financial statements as at 31 December 2016 - consolidated financial statements as at 31 December 2016 (pursuant to Article 153 of Legislative Decree 58/1998 and Article 2429 of the Italian Civil Code)

YOOX Net-A-Porter Group S.p.A.
Registered Office at 17 via Morimondo - 20143 MILAN,
Fiscal code and Milan Companies Register no. 02050461207
Share capital: Euro 1,338,193.05 fully paid up
http://www.ynap.com

Report of the Board of Statutory Auditors to the Shareholders' Meeting

(pursuant to Article 153 of Legislative Decree 58/1998 and Article 2429, paragraph 3 of the Civil Code)

To the Shareholders of Yoox Net-A-Porter Group S.p.A. (the "**Company**" or "**YNAP**")

Dear Shareholders,

The undersigned Board of Statutory Auditors was appointed at the Shareholders' Meeting of 30 April 2015 and carries out its supervisory tasks pursuant to the existing legal and regulatory provisions, in accordance with the principles 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 ("**TUF**") and the applicable provisions of the Civil Code, as well as the Consob communications on corporate control and activities of the Board of Statutory Auditors (namely, Communication DEM/1025564 of 6 April 2001 and subsequent communications).

With regard to Criterion 8.C.1. of the Code of Conduct of listed companies approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. (hereinafter the "**Code of Conduct**") concerning the independence requirements for the members of the Board of Statutory Auditors, we have verified that none of the statutory auditors has or has recently had, directly or indirectly, any relations with the Company or with parties connected to the Company that might affect their independence of judgement. The outcome of this verification has been reported in the Report on Corporate Governance and Ownership Structure (the "**Report on Corporate Governance**") prepared pursuant to Article 123-bis of the TUF.

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Each statutory auditor has also complied with the limit on the cumulation of positions held as laid down in Article 148-bis of the TUF and the related implementing regulations (Articles 144-*duodecies* to 144-*quinquiesdecies* of Consob Regulation 11971/99 (the "**Issuers' Regulation**"), as referred to in the Bylaws).

With regard to the legally required auditing tasks, the Shareholders' Meeting of 8 September 2009 appointed KPMG S.p.A. to carry out these tasks until the year ending 31 December 2017 (the "**Independent Auditors**" or "**KPMG**"); we refer you to their reports: (i) the task of auditing the financial statements and the consolidated financial statements, as well as (ii) the limited audit of the half-year reports, and (iii) the quarterly inspections of the corporate accounting.

YNAP 2016 financial year has been mainly characterized by the continuation of the integration process between the activities of former Net-A-Porter Group ("**NAP**") and those of former YOOX Group, in the context of which relevant investments have also been planned and launched, in particular in the logistic sector. In the course of the month of April 2016, under the delegation resolved by the Extraordinary Shareholders' Meeting of 21 July 2015, the Board of Directors resolved a capital increase of Euro 100 million with the exclusion of pre-emptive rights reserved for the shareholder Alabbar Enterprises S.à.r.l.. In the next month of November, a joint venture with the same Group has been announced for the Middle East area.

On 29 June 2016 the Board of Directors approved the new five-year Strategic Plan, the main economic and financial drivers of which have been disclosed in the context of the Capital Markets Day on the following 7th of July.

YNAP complies with the Code of Conduct; the Board of Statutory Auditors has monitored the concrete implementation of the corporate governance rules set by the Code of Conduct. In this regard, please refer to the Corporate Governance Report.

The Board of Directors currently comprises eleven members, including seven independent directors. In accordance with the provisions of point 3.C.5 of the Code of Conduct, we have monitored that the verification criteria and procedures adopted by the Board of Directors to assess the independence of the directors, as well as their conformity with the provisions of point 3.C.1 of the Code of Conduct, were applied correctly.

During the year, eight 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 the Company's general operating performance and foreseeable outlook, in accordance with the procedures laid down by the rules on corporate governance.

The directors also provided information on the 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. We refer you to their report on the main initiatives undertaken during the course of the year, and state that, to the best of our knowledge, these were based on principles of proper management and that any problems relating to potential or possible conflicts of interest were carefully assessed.

The following meetings were also held during the course of the year: (i) five meetings of the Control and Risk Committee, which were always attended by at least two members of the Board of Statutory Auditors; (ii) five meetings of the Compensation Committee, attended by at least one statutory auditor, (iii) and one meeting of the related-party committee, attended by one statutory auditor.

With regard to activities carried out pursuant to Article 150 of the TUF, regular meetings and exchanges of data and information with representatives of the Independent Auditors were held. No matters arose during the course of these meetings that are worth mentioning in this report. Specifically, the Independent Auditors informed us during the year of their own audit plan, which resulted to be adequate.

We received information from KPMG regarding the hours billed for the auditing of the financial statements and the consolidated financial statements as at 31 December 2016. The information on fees required by Article 149-duodecies of the Issuers' Regulation is reported in the financial statements file.

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During the course of 2016, the Company appointed KPMG and other companies belonging to its network to carry out further tasks in addition to the auditing of the accounts. In brief, these tasks mainly concerned: (i) the fairness opinion on the capital increase pursuant to Art. 2441, paragraph 4 of the Civil Code, executed on 18 April 2016, (ii) agreed upon procedures as regards the covenants of two medium term loans, (iii) assistance in the Project Office and in the Quality Assurance of the Corporate Performance management platform and other minor mandates.

After the entry into force of Regulation EU 537/2014 and considering that some of the aforementioned activities will take place in the course of 2017, the Board of Statutory Auditors, acting as Internal Audit and Accounting Review preliminarily approved, where required, said mandates.

The total fees for the above-mentioned additional tasks amounted to Euro 712 thousand.

We received (i) the report on the "fundamental questions" issued by the Independent Auditors pursuant to Article 19, paragraph 3 of Legislative Decree 39/2010 and (ii) the annual confirmation of the independence of the latter pursuant to Article 17, paragraph 9, letter a) of Legislative Decree 39/2010, the contents of which were disclosed earlier during the previous exchanges of information, and we analysed the risks relating to the independence of the independent auditors and the measures implemented by them to limit the occurrence of such risks, also taking into consideration the appointments for non-audit services described above. During the year, no critical aspects emerged regarding the independence of the Independent Auditors, also taking into consideration the provisions of Legislative Decree 39/2010.

During the course of 2016, the Board of Statutory Auditors met six times in order to carry out the activities for which it is responsible and to exchange information, where necessary, with the representatives of KPMG and with the members of the Control and Risk Committee and the Supervisory Body.

We monitored compliance with the law and the Bylaws and, to the best of our knowledge, we have no particular observations to make in this regard.

We monitored compliance with principles of proper management; the decisions made and implemented by the Board of Directors appear to be in full compliance with the law and the Bylaws, do not conflict with the resolutions passed by the Shareholders' Meeting, and are based on principles of proper management.

During the course of 2016, on 9 March 2016 the Board of Statutory Auditors*, inter alia,* released a favourable opinion on the appointment of Matteo Moroni as person in charge of the internal audit function, on 29 June the Board of Statutory Auditors, *inter alia*, released an opinion as regards the remuneration of a director vested with specific offices, pursuant to Art. 2389, paragraph 3, of the Civil Code and on 9 November 2016 the Board of Statutory Auditors released a favourable opinion on the application of the criteria and the procedures applied by the Board of Directors to evaluate the independence of its members. Further, we have expressed our favourable opinion on the annual plan of the internal audit activities.

In the 2016 Directors' Report, the Directors report on the transactions with a significant effect on the Company's income statement, balance sheet and financial position for the year. Such Report complies with the laws and regulations in force and is consistent with the resolutions adopted by the Board of Directors, the separate and consolidated financial statements, and any events after the year-end. The Half-Year Financial Report has been disclosed as required by the laws and regulations in force.

To the extent of our responsibility, we gathered data and information from the heads of each corporate department, including through direct investigations where necessary, and monitored the adequacy of the structure of the (i) management and accounting system in terms of its faithful and reliable representation of operating performance, and (ii) the Company's organizational structure. We believe these structures to be adequate in view of the characteristics of the Company and YNAP Group and of the business activities that 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 the corporate documentation and verified procedural compliance. On the basis of these activities, we believe that this internal control system is set up and organised in such a way as to ensure the proper and correct performance of its functions. Among other things, this makes it possible to provide a faithful indication of performance and operations in terms of the Company's income statement, balance sheet and financial position.

With regard to 2016 and after the year-end, on 23 February 2017 the Board of Directors, based on the information and evidence collected and also with the support of the preliminary investigations carried out by the Control and Risk Committee, assessed the adequacy of the internal control and risk management system. It expressed a favourable opinion with regard (i) to the adequacy of the system, taking into account the characteristics of the business and the risk profile adopted, and (ii) its effectiveness.

We gained knowledge of and supervised, to the extent of our responsibility, the instructions given by the Company to its subsidiaries, pursuant to Article 114, paragraph 2 of the TUF, which appear to be adequate. We assessed the suitability of the corporate organisation and the procedures adopted to provide the Company with regular information on the financial, capital and economic positions of its subsidiaries.

After the amendments to art. 154-*ter* of the TUF as implemented by Legislative Decree 25 of 15 February 2016, Directors determined to no longer proceed with the publication of an interim management report in respect of the first and third quarter, but to proceed with the dissemination of an interim trading statement.

We assessed the adjournment of the internal procedures in respect of management of privileged information after the entry into force of Regulation No 596/2014 of the European Parliament on market abuse, we monitored and assessed periodic reports and press releases published by the Company, as well as compliance with the Consob reporting obligations. To the best of our knowledge, each Company body or department has complied with the information obligations imposed by the applicable legislation.

During the course of 2016, the BOD granted further 884,000 options under the 2015-2025 Stock Option Plan. The relating details are set out in the Remuneration Report pursuant to Article 123-*ter* of the TUF and Article 84-*quater* of the Issuers' Regulation, as well as in the Information Document pursuant to Article 84-*bis* of the Issuers' Regulation, to which reference is made, with no particular observations to make in this regard.

YNAP adopted and subsequently updated and amended the organisational model provided for by Legislative Decree 231/2001 ("**Model 231**"), aimed at preventing the possibility of the commission of serious offences pursuant to the said Decree and consequently of the administrative responsibility of the Company.

The Supervisory Body ("**SB**"), body entrusted with the task of overseeing the correct operation of Model 231 and keeping it up to date, periodically met with the Board of Statutory Auditors and the periodic reports on the activities carried out by it did not reveal any censurable circumstances or specific violations of the same Model.

The separate financial statements as at 31 December 2016, submitted for your approval, show a loss of 43.9 million euros, while the consolidated financial statements show a profit attributable to the Group of 33.9 million euros.

In the course of the financial year the company completed the Purchase Price Allocation process in respect of the merger gap emerged after the incorporation of Largenta Italia S.r.l..

As regards said business aggregation, the company subjected the emerging goodwill value to the impairment test without identifying any losses for value reductions.

KPMG issued its reports on the separate financial statements and the consolidated financial statements, which do not contain any remarks or requests for information. The Independent Auditors also believe that the management report is consistent with the separate financial statements of the Company and with the consolidated financial statements of the Group.

In the "Risk factors" section of the Report on Operations, the directors describe the main risks and uncertainties to which the Company and the Group are exposed, identifying both operational and financial risks (foreign exchange, interest rate, price, liquidity, credit with financial and commercial counterparties).

The directors indicate that relations among Group companies or between those companies and related parties cannot be classified as either atypical or unusual, as they fall within the normal course of the Group's business and take place under normal market conditions and in the interests of the Group, and that, in general, no atypical or unusual transactions were carried out. We believe that the information provided in the notes to the financial statements in relation to such exchanges of goods and services is adequate. The Board of Statutory Auditors has ascertained that these transactions comply with the law and the Bylaws, are fair and in the Company's interests and are not likely to give rise to any doubts concerning the accuracy and completeness of the relevant disclosures, the safeguarding of corporate assets and the protection of minority shareholders.

During the course of the year, the Company did not carry out any transactions in treasury shares.

Our supervisory activities were carried out in a normal manner throughout the financial year 2016. No omissions, censurable circumstances or irregularities emerged that need to be mentioned in this report nor we have proposals to submit, pursuant to art. 153, paragraph 2, of the TUF.

No claims pursuant to Article 2408 of the Civil Code were received, nor any other complaints.

In the light of all of the above, we consider that the Report on Operations contains adequate information about the 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, 17 March 2017

The Board of Statutory Auditors Marco Maria Fumagalli – Chairman

(signed on the original)

Giovanni Naccarato - Standing Auditor

(signed on the original)

Patrizia Arienti - Standing Auditor

(signed on the original)

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