YOOX GROUP

Annual Report 2011

YOOX S.p.A.
Via Nannetti, 1 40069 Zola Predosa (BO)
Share capital: Euro 550,996.16 fully paid up on the date of approval of this document
P.I./C.F. and Bologna Company Register No.: 02050461207

The Global Internet Retailing Partner for Leading Fashion & Design Brands

YOOX GROUP

Company Operations in the Following Countries

Main Countries

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

Other countries

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

TABLE OF CONTENTS

Chairman's letter to the shareholders....5
Report on corporate governance and shareholding structure....7
Directors' report....47
Consolidated financial statements YOOX Group....85
Statement on the consolidated financial statements at December 31, 2011 pursuant to article 81-ter of CONSOB regulation 11971 of May 14, 1999 as amended....163
Report of the Auditors....165
Separate financial statements YOOX S.p.A.....167
Statement on the separate financial statements at December 31, 2011 pursuant to article 81-ter of CONSOB regulation 11971 of May 14, 1999 as amended....235
Report of the Auditors....237
Report of the board of Statutory Auditors to the shareholders' meeting financial statements at December 31, 2011 – consolidated financial statements at December 31, 2011 (*pursuant to Article 153 of Legislative Decree 59/1998 and Article 2429 of the Italian Civil Code*)....239

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

Dear Shareholders,

The YOOX Group achieved excellent results in 2011 with net revenues of Euro 291.2 million, up 36%, an increase in net income, which came in at Euro 10.0 million, and a positive net financial position. All main markets and both the multi-brand and mono-brand business lines contributed to the Group's growth. A key role was played by international markets, which at year end already accounted for 80% of total revenues, led by the United States which became our no.1 market for the first time in the Group's history.

As expected, 2011 was a year of important investments such as those in the automation of the logistics platform, the development of the Chinese market, and the innovation of the Group's multi-channel technology with the aim of supporting our long-term growth and continuing to offer excellent service to all of our customers and brand-partners.
2011 saw the completion of a major project to automate our global logistics platform, which is unique in the sector thanks to the combination of state-of-the-art automation systems and RFid technology, which once again confirmed our position at the forefront of the sector. The new highly-automated global operations and distribution platform led to a considerable increase in operational efficiency, optimised the management of peaks of demand during the Christmas season, which in turn allowed us to achieve a record level of on-time deliveries to our customers. China is continuing to develop as a market of great strategic importance to the Group and 2011 saw the debut of several selected mono-brand online stores and of thecorner.com, which is paving the way for the Group's multi-brand division. As a result of our efforts and investments in R&D, new channels such as smartphones and tablets already accounted for a significant share not only of traffic, but also of revenues at year end.

In line with our strategy of increasing the in-season offering, in March 2012, we launched shoescribe.com - a new multi-brand online destination dedicated entirely to women's shoes, which will leverage the Group's solid global platform and provide all customers with a level of service that is both excellent and unique in the sector. We believe it will mark a new frontier in e-commerce services in terms of attention to detail, innovation and entertainment.

As a recognition of the important goals achieved in 2011, the President of the Italian Republic awarded us the "Premio Leonardo" for Innovation. I have shared this award with my team of some five hundred women and men who, with their talent, passion and dedication, enable our Group, day after day, to affirm its position as the undisputable leader in its sector on a global level.

As always, my thanks go to our most devoted female and male customers, to whom we dedicate our constant strive for improvement, our passion and creativity, sure that by pursuing these goals, we will continue to enhance the value of our Company and also for all of you, our Shareholders.

Chairman of the Board of Directors

Federico Marchetti

REPORT ON COPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE

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

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

Website: www.yooxgroup.com

Year to which the Report refers: 2011

Report approval date: March 7, 2012

TABLE OF CONTENTS

GLOSSARY 11
1. ISSUER PROFILE 12
2. INFORMATION ON SHAREHOLDING STRUCTURE (pursuant to Article 123-*bis* of the TUF) at December 31, 2011 13
   a) Share capital structure (Article 123-*bis*, paragraph 1, letter a) of the TUF) 13
   b) Restrictions on transfer of shares (Article 123-*bis*, paragraph 1, letter b) of the TUF) 13
   c) Significant shareholdings (Article 123-*bis*, paragraph 1, letter c) of the TUF) 13
   d) Shares conferring special rights (Article 123-*bis*, paragraph 1, letter d) of the TUF) 14
   e) Employee shareholdings: procedure for exercising voting rights (Article 123-*bis*, paragraph 1, letter e) of the TUF) 14
   f) Restrictions on voting rights (Article 123-*bis*, paragraph 1, letter f) of the TUF) 14
   g) Agreements between shareholders (Article 123-*bis*, paragraph 1, letter g) of the TUF) 14
   h) Change of control clauses (Article 123-*bis*, paragraph 1, h) of the TUF) and statutory provisions on the subject of IPOs (Article 104, paragraph 1-ter, and Article 104-*bis*, paragraph 1 of the TUF) 14
   i) Amendments to the bylaws (Article 123-*bis*, paragraph 1, letter l) of the TUF) 14
   l) Delegation of power to increase share capital and authorisation to purchase own shares (Article 123-*bis*, paragraph 1, letter m) of the TUF) 14
   m) Management and coordination activities 16
3. COMPLIANCE 17
4. BOARD OF DIRECTORS 17
   4.1 Appointment and replacement of directors 17
   4.2 Composition 19
   4.3 Functioning of the Board of Directors 21
   4.4 Role of the Board of Directors 22
   4.5 Delegated bodies 25
   4.6 Other executive directors 26
   4.7 Independent directors 26
   4.8 Lead independent director 27
5. HANDLING OF COMPANY INFORMATION 27
6. COMMITTEES WITHIN THE BOARD 28
7. DIRECTORS' APPOINTMENTS COMMITTEE 29
8. REMUNERATION COMMITTEE 29
9. DIRECTORS' REMUNERATION 31
10. INTERNAL CONTROL COMMITTEE 33
11. INTERNAL CONTROL SYSTEM 35
   11.1 Executive Director in Charge of the internal control system 35
   11.2 Internal Control Manager 36
   11.3 Organisational Model pursuant to Legislative Decree 231/2001 37
   11.4 Independent auditors 38
   11.5 Director in charge of preparing corporate accounting documents 38
12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES 38
13. APPOINTMENT OF STATUTORY AUDITORS 40
14. STATUTORY AUDITORS 42
   14.1 Functioning of the Board of Statutory Auditors 43
15. RELATIONS WITH SHAREHOLDERS 43
16. SHAREHOLDERS' MEETINGS AND RIGHTS 44
17. FURTHER CORPORATE GOVERNANCE PRACTICES 46
18. CHANGES SINCE THE END OF THE YEAR 46

REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE

GLOSSARY

Code: the Code of Conduct of listed companies approved in March 2006 (and amended in March 2010) by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., available at www.borsaitaliana.it, under "Borsa Italiana – Rules – Corporate Governance".

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

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

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

Year: the financial year to which the Report refers.

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

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

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

CONSOB Issuer Regulation: the Regulation issued by CONSOB with Resolution 11971 (14 May 1999) and later amendments.

CONSOB Related Parties Regulation: the Regulation issued by CONSOB with Resolution 17221 of March 12, 2010 (and later amendments) concerning related party transactions.

Report: the report on corporate governance pursuant to Article 123-*bis* of the Consolidated Finance Act (TUF).

TUF: Legislative Decree 58 of February 24, 1998 (Consolidated Finance Act) and later amendments.

1. ISSUER PROFILE

The YOOX Group is the global Internet retailing partner for leading fashion and design brands. It has established itself amongst the market leaders with the Multi-brand stores yoox.com and thecorner.com, as well as with numerous online Mono-brand stores, including zegna.com, armani.com and diesel.com, all “Powered by YOOX Group”. The Group has technical logistics centres and offices in Europe, the United States, Japan, China and Hong Kong and delivers to more than 100 countries worldwide.

yoox.com, established in 2000, is the leading virtual store for multi-brand fashion and design in the world. Thanks to direct, well-established relations with designers, producers and authorised dealers, yoox.com offers an infinite selection of products that are hard to find: an extensive selection of end-of-season clothing and accessories from the most important fashion designers, exclusive capsule collection, eco-friendly fashion, a unique range of design objects, rare vintage collectibles and original art books.

thecorner.com is the online boutique with a selection of limited-distribution men’s and women’s clothing and accessories in shops-in-shops. The key element in this innovative retail concept is the “corner”: shops-in-shops and a creative platform dedicated to each brand for presenting the latest collections through multi-media content, allowing visitors to fully experience the world of the designers and their inspiration.

Since 2006, YOOX Group has designed and managed Mono-Brand Online Stores for major fashion brands looking to offer their latest collections on the Internet. Thanks to years of experience and online shopping expertise, YOOX Group offers its brand-partners a complete solution, including a global technological and logistics platform, innovative interface design, excellent customer care and international web marketing.

The ordinary shares of the Issuer have been traded on the STAR Segment of the MTA since December 3, 2009 (“**Start of Trading**”).

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

2. INFORMATION ON SHAREHOLDING STRUCTURE (pursuant to Article 123-*bis* of the TUF) at December 31, 2011

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

- As of December 31, 2011, the subscribed and paid-up share capital amounted to Euro: 530,741.12;
- As of the date of this Report, the subscribed and paid-up share capital amounted to Euro 550,996.16.

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

	No. of shares	% of Share Capital	Listed	Rights and obligations
Ordinary shares (no par value)	[55,099,616]	100	MTA/STAR segment	A voting right is attached to each share. The rights and obligations of shareholders are those set out in Articles 2346 *et seq.* of the Civil Code. See section 16 of this Report for more information.

Since 2000, the Issuer has implemented a series of share-based incentive plans, with a view to giving the YOOX Group an incentive tool to promote management loyalty; the plans are intended to develop a sense of belonging among key resources and to ensure constant pressure to create value over time, thereby enabling shareholder interests to converge with those of the management. For more information on incentive plans as of December 31, 2011, see the information documents prepared pursuant to Article 84-*bis* of the CONSOB Issuer Regulation held at the Company headquarters, and available in the Corporate Governance section of the Company website www.yooxgroup.com, and the remuneration report prepared pursuant to Article 84-*quater* of the CONSOB Issuer Regulation available under the terms of law in the Corporate Governance section of the Company website www.yooxgroup.com.

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

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

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

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

Declarant	Direct shareholder	% share of ordinary share capital	% share of voting share capital
Balderton Capital EU Holdings Limited	Balderton Capital I L.P.	10.654	10.654
Federico Marchetti	Federico Marchetti	6.516	6.516
Renzo Rosso	Red Circle S.r.l. Unipersonale	6.157	6.157
Federated Equity Management Company of Pennsylvania	Federated Equity Management Company of Pennsylvania	5.546	5.546
Caledonia (Private) Investments Pty Limited	Caledonia (Private) Investments Pty Limited	4.910	4.910
Baillie Gifford & Co.	Baillie Gifford Overseas Limited	5.007	5.007
Wasatch Advisors Inc.	Wasatch Advisors Inc.	2.786	2.786
Aviva Investors Global Services Limited	Aviva Investors Global Services Limited	2.339	2.339
Capital Research and Management Company	Capital Research and Management Company	2.042	2.042
OppenheimerFunds Inc.	OppenheimerFunds Inc.	2.040	2.040
Pictet Funds (Europe) S.A.	Pictet Funds (Europe) S.A.	2,006	2,006

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

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

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

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

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

There are no restrictions on voting rights.

g) Agreements between shareholders (Article 123-bis, paragraph 1, letter g) of the TUF)

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

h) Change of control clauses (Article 123-bis, paragraph 1, h) of the TUF) and statutory provisions on the subject of IPOs (Article 104, paragraph 1-ter, and Article 104-bis, paragraph 1 of the TUF)

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

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

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

i) Amendments to the bylaws (Article 123-bis, paragraph 1, letter l) of the TUF)

Amendments to the bylaws are governed by the legislation in force. Under Article 19 of the bylaws, the Board of Directors is responsible, in accordance with Article 2436 of the Civil Code, for making decisions, concerning: *(i)* "simplified" mergers or demergers pursuant to Articles 2505, 2505-*bis*, 2506-*ter*, last paragraph of the Civil Code; *(ii)* transfer of the Company headquarters within the national territory; *(iii)* reduction of the share capital following withdrawal; and *(iv)* amendment of the bylaws to comply with regulatory provisions; it is understood that these resolutions may also be taken by the Extraordinary Shareholders' Meeting.

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

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

As part of the 2007–2012 Stock Option Plan, with resolution dated May 16, 2007, the Company's Extraordinary Shareholders' Meeting granted the Board of Directors, pursuant to Article 2443 of the Civil Code, the power to launch a paid-in capital increase, in one or more *tranches*, within five years of the resolution date, with exclusion of option rights pursuant to Article 2441, paragraphs 5 and 8 of the Civil Code, through the issue (taking into account share splits and the cancellation of the shares' nominal value) of a maximum number of 5,424,588 new ordinary shares with the same characteristics as the outstanding shares, with an implicit unit price per share of Euro 0.01, for a maximum amount of Euro 54,245.88. The newly issued shares will have the identical dividend rights to those of the other outstanding shares at the time of their subscription. The increase is intended to service a stock option plan for the directors, partners and employees of the Company and its subsidiaries.

Through a resolution dated September 3, 2009, the Board of Directors partly made use of this power by increasing the share capital, with the exclusion of the option rights pursuant to Article 2441, paragraphs 5 and 8 of the Civil Code, through the issue of a maximum number of 5,176,600 new ordinary shares with the same characteristics as the outstanding shares, and an implicit unit price of Euro 0.01. The share issue price was determined at Euro 1.1379 per share for 4,784,000 new shares and Euro 2.0481 per share for 392,600 new shares. Pursuant to Article 2439, paragraph 2 of the Civil Code, the deadline for subscription for this increase was set at September 3, 2019. If the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

For more information on stock option plans as of December 31, 2011, see the information documents prepared pursuant to Article 84-*bis* of the CONSOB Issuer Regulation held at the Company headquarters, and available in the Corporate Governance section of the Company website www.yooxgroup.com, and the remuneration report prepared pursuant to Article 84-*quater* of the CONSOB Issuer Regulation available under the terms of law in the Corporate Governance section of the Company website www.yooxgroup.com.

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In their meeting held on May 5, 2011, the Shareholders authorised the purchase and use of treasury shares *(i)* for the purposes of market practices for the purchase of treasury shares for the establishment of a "trading stock" permitted by CONSOB pursuant to Article 180, paragraph 1, c) of the TUF through Resolution no 16839 of March 19, 2009, in compliance with the operating conditions established for this market practice and by Regulation (EC) No 2273/2003 of December 22, 2003 where applicable, as well as *(ii)* in order to lend treasury shares to Specialist operators so that they can meet their contractual obligations in respect of the Company for settlement of transactions carried out on the Company's shares under the terms and in the manner established by the applicable provisions.

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

- has authorised, pursuant to Article 2357 of the Civil Code, the purchase, in one or more *tranches*, for a period of 18 months from the date of the Shareholders' Meeting resolution (and therefore until November 5, 2012) of ordinary shares in the Company up to a maximum that, taking into account the ordinary YOOX shares held at any time by the Company and its subsidiaries, does not in total exceed the maximum limit established by the applicable regulation in force, at a price that is not greater than the higher of the last independent transaction and the highest current independent offer price on the market where the purchase is to take place, without prejudice to the fact that the unit price cannot be lower than a minimum of 15% and higher than a maximum of 15% compared with the official registered price of YOOX stock on the stock exchange on the day prior to each individual purchase transaction;

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

- authorised the Board of Directors so that, pursuant to Article 2357-*ter* of the Civil Code, it can, at any time, in full or in part, in one go or several, dispose of the treasury shares purchased according to this resolution, or in the Company's portfolio, through alienation on the Stock Exchange or outside of it, possibly even through the sale of actual and/or personal rights, including, by way of example, securities lending, in compliance with the existing pro tempore laws and regulations and in pursuit of the aims of this resolution, under the terms, methods and conditions of the act for treasury shares deemed most suitable for the

interests of the Company, also taking into account the obligations undertaken with regard to Specialist operators in accordance with the contract, conferring the widest possible powers for carrying out the operations in this resolution, as well as any other formalities related to them, including the possible bestowal of offices to intermediaries eligible in accordance with the law and with the right to appoint proxies, without prejudice to the fact that (a) the arrangements under the scope of extraordinary transactions, even the exchange of holdings with other individuals, can take place at the price or at the value which is consistent and in line with the transaction, according to the characteristics and the nature of the actual transaction and also taking into account market trends; and that (b) transactions involving the use of treasury shares intended to service programmes to distribute, for consideration or free of charge, options on shares or shares to directors, employees and collaborators of the Company or its subsidiaries, as well as programmes to assign free shares to shareholders, may be implemented at a price determined by the management bodies responsible for these plans, taking into account market trends and the fiscal regulations applicable; all these operations must comply with the conditions and procedures established by CONSOB Resolution no. 16839 of March 19, 2009 and Regulation (EC) No 2273/2003 of December 22, 2003, where applicable; authorisation under this point is granted without time limits.

The Shareholders' Meeting also established that, pursuant to the laws in force, purchases governed by this authorisation are within the limits of distributable earnings and reserves available as shown in the last approved financial statements (interim as well) at the time the transaction is carried out, and that, on the occasion of the purchase and sale of own/treasury shares, the necessary accounting entries should be made, in compliance with the legal provisions in force and applicable accounting standards.

The Board of Directors, under the limits and conditions of the shareholders' resolution of May 5, 2011, approved the purchase of a maximum number of 250,000 Company treasury shares in order to create the provision of shares necessary for servicing the 2009–2014 Incentive Plan approved by the Shareholders' Meeting of September 8, 2009. For more information on the 2009–2014 Incentive Plan, refer to the Information Document written pursuant to Article 84-*bis* of the CONSOB Issuer Regulation held at the Company's headquarters and available on the Company website at www.yoogroup.com under the Corporate Governance section.

As of the date of this Report, YOOX holds 162,000 treasury shares, equal to 0.29% of the current share capital (equal to Euro 550,996.16, divided into 55,099,616 ordinary shares).

m) Management and coordination activities

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

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

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

3. COMPLIANCE

The Issuer has adopted the Code, available on Borsa Italiana's website (www.borsaitaliana.it).

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

The Company will evaluate the adjustments required under the revision of the Code approved in December 2011 (the "**New Code**") taking the transitional provisions into account.

4. BOARD OF DIRECTORS

4.1 Appointment and replacement of directors

The Company is managed by a Board of Directors composed of a minimum of five and a maximum of fifteen members; each director's term may be no longer than three years, expiring on the date of the Shareholders' Meeting called to approve the financial statements of the last year of their term. Directors may be re-elected. Before making the appointments, the Shareholders' Meeting determines the number of directors and the term the Board shall remain in office.

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

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

Article 14 of the bylaws also establishes that the Board of Directors is appointed by the Shareholders' Meeting based on the lists presented by the shareholders, according to the procedure set out below, unless otherwise or further provided for by binding legal or regulatory provisions.

Shareholders holding a stake at least equal to that determined by CONSOB pursuant to Article 147-*ter*, paragraph 1 of the TUF, and in compliance with the CONSOB Issuer Regulation, may present a list for the appointment of directors. In this regard, with Resolution 18083 of January 25, 2012, the CONSOB set the shareholding required to present candidate lists for the election of the Issuer's management body, with reference to the year ending December 31, 2011 at 2.5% of the share capital. The minimum ownership stake is determined with regard to shares that are registered to the shareholder on the day the lists are deposited at the issuer; the certificates can also be produced after this as long as it is within the deadline set for the publication of the actual lists.

Lists must be deposited at the Company headquarters at least 25 (twenty five) days before the Shareholders' Meeting called to appoint the directors (first or only call). The Company must also make the lists available to the public at least 21 (twenty one) days before the Shareholders' Meeting, according to the procedures set out by the laws in force.

The lists nominate no more than 15 candidates, numbered progressively. Each list must contain and expressly indicate an independent director pursuant to Article 147-*ter*, with a priority number no higher than seven. If the list comprises more than seven candidates, it must contain and expressly indicate a second independent director pursuant to Article 147-*ter*. In each list, directors meeting the requirements of independence set out in the codes of conduct drawn up by companies managing regulated markets or by trade associations may also be expressly indicated.

Furthermore, the lists contain, also in annexes:

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

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

(iii) indication of the identity of the shareholders who have submitted lists and the percentages of shareholdings held overall;

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

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

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

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

If two lists receive the same number of votes, the list presented by shareholders with the greatest shareholding at the time the lists are presented, or subordinately, by the greatest number of shareholders, shall prevail.

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

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

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

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

The candidate elected as Chairman of the Board of Directors is the one indicated as such on the majority list or on the only list presented and approved. Otherwise, the Chairman is appointed by the Shareholders' Meeting through simple majority voting, or is appointed by the Board of Directors in accordance with the bylaws.

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

4.2 Composition

The Issuer's Board of Directors in office at the date of this Report comprises seven members, appointed by the Ordinary Shareholders' Meeting of October 7, 2009, with the exception of directors Catherine Gérardin and Raffaello Napoleone appointed through co-option pursuant to Article 2386 of the Civil Code, and later confirmed by resolution on April 21, 2010 and May 5, 2011, respectively. It should be noted that the Board currently in office was not appointed using the shareholder list voting system, but on the basis of the bylaws in force before the Start of Trading.

The Board will remain in office until the Shareholders' Meeting convened to approve the financial statements as at and for the year ending December 31, 2011.

The curriculum vitae of every director are filed at the company headquarters and are available in the Corporate Governance section of the Company website www.yooxgroup.com.

Composition of the Board of Directors

Name	Position	In office since	In office until	List	Exec.	Non exec.	Indep.	Indep. TUF	% attendance	Other positions
Federico Marchetti	Chairman and Chief Executive Officer	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-	X				100	0
Stefano Valerio	Vice Chairman	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-		X			87.5	2
Raffaello Napoleone	Director	May 5, 2011	Approval of the Financial Statements Dec. 31, 2011	-		X	X	X	100	1
Mark Evans	Director	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-		X			62.5	11
Catherine Gérardin	Director	April 21, 2010	Approval of the Financial Statements Dec. 31, 2011	-		X	X	X	87.5	0
Massimo Giaconia	Director	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-		X	X	X	100	12
Elserino Mario Piol	Director	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-		X			100	1

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

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

Name	Position	EC	% EC	AC	% AC	RC	% RC	ICC	% ICC	RPTC	% RPTC
Stefano Valerio	Vice Chairman	-	-	M	-						
Catherine Gérardin	Director	-	-	M	-	M	100	M	100	M	-
Massimo Giaconia	Director	-	-	C	-	M	100	C	100	C	-
Elserino Mario Piol	Director	-	-			C	100				
Raffaello Napoleone	Director	-	-					M	50	M	-

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

Maximum number of positions held in other companies

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

During the meeting held on March 7, 2012, following an assessment of positions held by its directors in other companies, the Board concluded that the number and quality of positions held did not interfere and are therefore compatible with the effective execution of their roles as directors at the Issuer.

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

NAME AND SURNAME	COMPANY	MANAGEMENT AND CONTROL POSITIONS HELD
Federico Marchetti	/	/
Stefano Valerio	Dmail Group S.p.A.	Director
	Sai Investimenti SGR S.p.A.	Director
Raffaello Napoleone	Fondazione Ente Cassa di Risparmio di Firenze	Director
Mark Evans	Big Fish Games, Inc.	Director
	Displaylink Corp.	Director
	Displaylink (UK) Limited	Director
	Ezoic Inc.	Director
	Memrise, Inc.	Director
	Naturalmotion Limited	Director
	Qihoo 360 Technologies Co. LTD	Director
	NM Rothschild & Sons Limited	Director
	Rothschild Continuation Holdings AG	Director
	The Hut Group Limited	Director
	Worldstores Limited	Director
Catherine Gérardin	/	/
Massimo Giaconia	Air Liquide Italia S.p.A.	Statutory auditor
	Air Liquide Italia Service S.r.l.	Statutory auditor
	AstraZeneca S.p.A.	Statutory auditor
	Beretta Holding S.p.A.	Statutory auditor
	Coeclerici Logistics S.p.A.	Statutory auditor
	Ferrari F.lli Lunelli S.p.A.	Chairman of the Board of Statutory Auditors
	Gallerie Commerciali S.p.A.	Chairman of the Board of Statutory Auditors
	Lunelli S.p.A.	Statutory auditor
	LVMH Italia S.p.A.	Statutory auditor
	Zach System S.p.A.	Statutory auditor
	Zambon Company S.p.A.	Statutory auditor
	Zambon S.p.A.	Statutory auditor
Elserino Mario Piol	Datalogic S.p.A.	Director

4.3 Functioning of the Board of Directors

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

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

Pursuant to Article 19 of the bylaws, the Board of Directors – within the limits of the law and the bylaws – may delegate its power and functions to the Executive Committee (see Articles 21, 22, 23 and 24 of the bylaws); furthermore, it may appoint one or more chief executive officers to delegate these powers and functions to, within the same limits. It may also establish one or more committees with a consulting, advisory or control role, in accordance with the applicable legislative and regulatory provisions. It has the power to appoint one or more general managers.

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

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

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

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

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

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

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

4.4 Role of the Board of Directors

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

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

- "simplified" mergers or demergers pursuant to Articles 2505, 2505-*bis*, 2506-*ter*, last paragraph of the Civil Code;

- the establishment or closure of secondary offices;

- the transfer of the Company headquarters within the national territory;

- indicating which directors serve as legal representatives;
- the reduction of the share capital following withdrawal;
- amendments to the bylaws to comply with regulatory provisions,

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

At its meeting of October 7, 2009, the Board vested the Chief Executive Officer with the powers set out in section 4.5 below, while the Board of Directors maintains exclusive authority for decisions regarding the following issues:

(a) approval of the business plan and subsequent amendments or additions (and/or its replacement with the Board of Director's business plans subsequently approved);

(b) 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;

(c) debt totalling more than Euro 1,000,000.00 a year where not provided for in the business plan and/or the last approved budget;

(d) approval of the quarterly procurement and cash budget and amendments or additions thereto of more than 30%;

(e) directors' remuneration pursuant to Article 2389, paragraph 2 of the Civil Code;

(f) granting of guarantees of any kind totalling more than Euro 100,000.00 a year;

(g) purchase or sale of interests in company structures, or the purchase, sale or leasing of companies, company branches or real estate;

(h) hiring, firing or changes to the employment conditions of directors;

(i) appointment of directors and managers of subsidiaries (where existent) and determination of relative powers, remuneration and fees;

(j) conditions and timing of stock option plans or buy options and relative benefits;

(k) adoption by the Company of (or change to) any stock option plan or any incentive plan or scheme in favour of employees or the granting of options or shares based thereon;

(l) creation of any mortgage, pledge, charge or any commitment or real guarantee on all or a substantial portion of the Company's property or real estate;

(m) sale of all or a substantial part of shares representing the share capital of any Company subsidiary; and

(n) the signing by the Company of any binding agreement that is included (or could be included) in any of the matters covered above.

Over the year, eight Board meetings were held on the following dates: February 9, March 9, May 9, July 7, August 4, September 20, October 20 and November 9.
The meetings were minuted.

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

At least six Board meetings are expected to take place in 2012. As well as those already held on January 24, February 8 and March 7, 2012 (the latter relating to the approval of the draft separate and consolidated financial statements as at and for the year ended December 31, 2011), the calendar of the main company events for 2012 (already announced to the market and Borsa Italiana S.p.A. in accordance with regulatory provisions) includes a further three meetings on the following dates:

- May 9, 2012: approval of the first interim financial statements at March 31, 2012;
- August 6, 2012: approval of the half-year financial statements at June 30, 2012;
- November 7, 2012: approval of the third interim financial statements at September 30, 2012.

Pursuant to Article 16, paragraph 3 of the bylaws, the Chairman of the Board coordinates the work of the Board and ensures that adequate information on agenda items is provided to all directors. Specifically, this information

must always be sufficient to allow directors to express themselves knowledgeably on the issues submitted for their review; they must be provided suitably in advance with the documentation and information relating to the draft documents to be approved, with the sole exception of cases of particular and confirmed urgency.

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

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In its session of March 7, 2012, the Board assessed the suitability of the Company's general organisational, administrative and accounting structure reviewed by the Chief Executive Officer, with particular reference to the internal control system and the management of conflicts of interest. In conducting this assessment, the Board not only checked the existence and implementation of an internal control system at the Company, but also carried out its periodic detailed examination of the system's structure, its suitability, and its effective and actual functioning.

To this end, the Board of Directors periodically receives and examines reports prepared by the Internal Control Manager, already examined beforehand by the Internal Control Committee and the Chief Executive Officer, in order to check (i) if the structure of the internal control 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 called to approve the financial statements, the Board of Directors annually:

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

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

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

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

In its session of March 7, 2012, the Board assessed the suitability of the general organisational, administrative and accounting structure of subsidiaries of strategic importance reviewed by the Chief Executive Officer, with particular reference to the internal control system and the management of conflicts of interest. In conducting this assessment, the Board not only checked the existence and implementation of an internal control system within the subsidiaries, but also carried out its periodic detailed examination of the system's structure, its suitability, and its effective and actual functioning.

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

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

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

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

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

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

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In relation to Director's remuneration, on October 7, 2009, the Company's Shareholders' Meeting determined the overall fees for the Board of Directors at Euro 680,000.00 and gave the Board the right to decide the most appropriate annual amount to be paid to individual directors. On October 7, 2009, with the approval of the Board of Statutory Auditors, the Board divided the total annual fees. The total remuneration to the Board of Directors remains unchanged until the Shareholders' Meeting passes a resolution otherwise.

The amount of remuneration received by the members of the Board of Directors in the year is detailed in Section II of the remuneration report prepared pursuant to Article 84-*quater* of the CONSOB Issuer Regulation available under the terms of law in the Corporate Governance section of the Company's website www.yooxgroup.com.

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

On March 7, 2012, the Board carried out its annual assessment, pursuant to criterion 1.C.1. letter g) of the Code, and concluded that the composition and functioning of the management body was suitable for the Company's management and organisational needs, also taking into account the presence, out of a total of seven members, of six non-executive directors, of which three were non-executive independent directors, who also ensure that the composition of committees formed within the Board is appropriate.

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

4.5 Delegated bodies

Chief Executive Officers

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

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

On October 7, 2009, the Board of Directors vested the current Chief Executive Officer Federico Marchetti with the broadest powers for the ordinary administration of the Company including, but not limited to, signature powers on behalf of the Company and serving as its legal representative with respect to third parties and in legal matters, with the exception of decisions on matters that are the specific remit of the Board of Directors, set out in section 4.4 (these powers are in addition to those due to the same, pursuant to the bylaws, in his role as Chairman, see below).

Chairman and Vice Chairman of the Board of Directors

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

The Chairman is the main manager of the Issuer's operations (Chief Executive Officer).

Through a resolution of October 7, 2009, the Board of Directors appointed director Federico Marchetti as Chairman of the Board of Directors.

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

Through a resolution of November 10, 2010, the Board of Directors appointed director Stefano Valerio as Vice Chairman of the Board of Directors.

Executive Committee

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

Reporting to the Board

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

4.6 Other executive directors

The Issuer has no other executive directors.

4.7 Independent directors

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

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

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

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

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

(v) without prejudice to point (iv) above, they 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; or (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) they 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) they have not been directors of the Issuer for more than nine of the last twelve years;

(viii) they 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) they are not shareholders or directors of a company or organisation belonging to the network of the company responsible for auditing the Issuer's accounts;

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

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

The Board verified that the independent directors currently in office meet the requirements of independence set out in Article 3 of the Code and Article 147-*ter*, paragraph 4 of the TUF, at the meeting held on May 9, 2011 for Catherine Gérardin, Massimo Giaconia and Raffaello Napoleone, and also verifies these requirements periodically.

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

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

At the board meeting of May 18, 2011, with reference to Catherine Gérardin, Massimo Giaconia and Raffaello Napoleone, the Board of Statutory Auditors stated that the verification criteria and procedures adopted by the Board of Directors to assess independence requirements were correctly applied.

The independent directors met four times in 2011 at Internal Control Committee meetings, namely on March 4, May 4, July 28 and November 8, 2011. The topics discussed were mainly those also discussed by the Internal Control Committee and subjects related to the administrative organisation of the company.

4.8 Lead independent director

In application of the provisions set out in the Code, on October 29, 2009, the Board appointed Massimo Giaconia as lead independent director pursuant to the Code; he thereby represents the point of contact and coordination of motions of non-executive directors and in particular independent directors.

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

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

5. HANDLING OF COMPANY INFORMATION

Procedure for publishing privileged information

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

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

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

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

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

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

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

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

The press release is distributed according to the procedures set out for the distribution of regulated information. Furthermore, YOOX ensures that the press release is published on the company website www.yooxgroup.com "by the opening of the market the day after the publication date" and that this information remains there for a minimum period of five years.

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

With particular reference to the obligation for listed issuers, for parties in control relationships therewith and for people who act in their name or on their behalf, to create and manage a register of persons with access to privileged information pursuant to Article 115-*bis* of the TUF and Articles 152-*bis et seq.* of the CONSOB Issuer Regulation, at its meeting of September 3, 2009, the Board of Directors passed a resolution to adopt a "***Procedure for the management of the Group register of persons with access to privileged information***", with binding effect from the date on which the application for admission to trading of ordinary shares in the Company on the MTA was filed with Borsa Italiana.

Internal Dealing Procedure

Regarding the management of information requirements resulting from the Internal Dealing regulations pursuant to Article 114, paragraph 7 of the TUF and Articles 152-*sexies*, 152-*septies* and 152-*octies* of the CONSOB Issuer Regulation, in force for listed companies since April 1, 2006, at its meeting of September 3, 2009, the Issuers' Board passed a resolution to adopt a Procedure to comply with obligations in respect of internal dealing (the "**Internal Dealing Procedure**"), intended to ensure the utmost transparency and uniformity of information provided to the market, with binding effect from the Start of Trading on the MTA.

Over the year, significant transactions were carried out, requiring related communications, pursuant to the regulations on internal dealing. Internal dealing communications are available in the Corporate Governance section of the Company website www.yooxgroup.com.

The Internal Dealing Procedure is available in the Corporate Governance section of the Company website www.yooxgroup.com.

6. COMMITTEES WITHIN THE BOARD

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

7. DIRECTORS' APPOINTMENTS COMMITTEE

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

This committee was formed, as a result of the Start of Trading of ordinary shares on the MTA, with Board resolution of September 3, 2009.

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

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

Functions attributed to the Directors' Appointments Committee

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

The Directors' Appointments Committee is responsible for the duties set out in Article 6.C.2 of the Code, and specifically:

a) to propose director candidates to the Board of Directors in accordance with Article 2386, paragraph 1, of the Civil Code, should the replacement of an independent director be required;

b) to submit candidates for the position of independent director to the Issuer's Shareholders' Meeting, taking into account any recommendations from the shareholders;

c) to provide advice to the Board of Directors regarding its size and composition, as well as professionals whose presence on the board is deemed appropriate.

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

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

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

8. REMUNERATION COMMITTEE

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

This committee was formed, subject to the Start of Trading of ordinary shares on the MTA, with Board resolution of September 3, 2009.

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

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

Director Massimo Giaconia has experience in finance and accounting considered adequate by the Board at the time of his appointment.

No director shall participate in Remuneration Committee meetings in which Board proposals are formulated relating to their own remuneration.

Functions attributed to the Remuneration Committee

The Remuneration Committee has a consulting and advising role, and its main duty is to submit proposals to the Board of Directors regarding the remuneration of chief executive officers and directors in particular positions, as well as, following recommendations of the chief executive officers, to determine criteria for the remuneration of Company managers with strategic responsibilities.

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

The Remuneration Committee is responsible for the duties set out in Article 7 of the Code, and specifically:

a) it submits proposals to the Board of Directors regarding the remuneration of chief executive officers and other directors in particular positions, monitoring the application of the decisions taken by the Board;

b) it periodically assesses the criteria adopted for the remuneration of directors with strategic responsibilities, monitors their application based on the information provided by chief executive officers and issues general recommendations in relation thereto to the Board of Directors.

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

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During the year, the Remuneration Committee met on the following dates: February 1, March 9, May 9, September 16, October 17 and November 2.

The Remuneration Committee meetings were minuted.

On average, the Remuneration Committee meetings lasted approximately 45 minutes.

There are 4 Remuneration Committee meetings scheduled for 2012, in addition to the one already held on February 8.

During the year, the activities of the Remuneration Committee were mainly focused on the assignment of financial instruments depending on existing plans and their exercise. The Remuneration Committee also expressed opinions on the following: the allocation of the variable component (MBO) of salaries for 2011, the awarding of bonuses in accordance with the Company incentive scheme and the criteria for rewarding key management personnel as well as, without prejudice to the responsibilities of future Company corporate bodies, the contract with the Chief Executive Officer where he/she will be appointed as a member of the YOOX Board of Directors by the Shareholders' Meeting convened for the approval of the annual financial statements to December 31, 2001 and he/she will be assigned executive tasks by future corporate bodies.

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

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

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

9. DIRECTORS' REMUNERATION

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

On October 7, 2009, the Company's Shareholders' Meeting determined the overall fees for the Board of Directors at Euro 680,000.00 and gave the Board the right to decide the most appropriate annual amount to be paid to individual directors. On October 7, 2009, with the approval of the Board of Statutory Auditors, the Board divided the total annual fees. The total remuneration to the Board of Directors remains unchanged until the Shareholders' Meeting passes a resolution otherwise.

The amount of remuneration received by the members of the Board of Directors in the year is detailed in Section II of the remuneration report prepared pursuant to Article 84-*quater* of the CONSOB Issuer Regulation available on the Company's website under the Corporate Governance section www.yooxgroup.com.

General remuneration policy

On March 7, 2012, the Board of Directors, at the proposal of the Remuneration Committee, approved the "general remuneration policy for executive directors, directors with special responsibilities and directors with key responsibilities" (the "**Remuneration Policy**"). This policy defines the guidelines on which remuneration can be concretely determined by the company bodies responsible.

The Remuneration Policy specifically provides that the remuneration of executive directors, directors with special responsibilities and directors with key responsibilities is established in sufficient measure to attract, retain and motivate persons with the professional attributes required to manage the Company successfully.

The Remuneration Policy also ensures that the remuneration of executive directors or directors with special responsibilities or directors with key responsibilities is made up of a fixed component and a variable component, suitably balanced according to strategic objectives and the Issuer's risk management policy, also taking into account the business sector in which the Company operates.

The variable component is established on the basis of the predetermined criteria that can be objectively measured as well as being linked to the creation of value for shareholders.

For more information on the Remuneration Policy, refer to the remuneration report prepared pursuant to Article 84-*quater* of the CONSOB Issuer Regulation available on the Company's website in the Corporate Governance section www.yooxgoup.com.

Remuneration of executive directors and directors with key responsibilities

A significant portion of the remuneration of Chief Executive Officer Federico Marchetti is linked to specific objectives set in advance by the Board of Directors.

The payment of a bonus to the Chief Executive Officer is determined, following a proposal from the Remuneration Committee, based on the market practice of companies comparable to YOOX in terms of size, profitability and growth rate, and must take into account the value generated in terms of improving assets and earnings results, or increasing the capitalisation of YOOX.

A significant portion of the remuneration of directors with strategic responsibilities is linked to the financial results achieved by the Issuer and/or the meeting of specific objectives set in advance by the Chief Executive Officer.

The size of the bonus is determined as a percentage of the fixed fees, and is awarded depending on the achievement of targets set by the Chief Executive Officer; these targets may be varied in nature and set with the on/off formula, which means that no bonus will be paid if they are not met.

Share-based remuneration schemes

Share-based incentive plans are provided for executive directors and managers with strategic responsibilities. For more information on stock option plans as of December 31, 2011, see the information documents prepared pursuant to Article 84-*bis* of the CONSOB Issuer Regulation held at the Company headquarters, and available in the Corporate Governance section of the Company website www.yooxgroup.com, and the remuneration report prepared pursuant to Article 84-*quater* of the CONSOB Issuer Regulation available under the terms of law in the Corporate Governance section of the Company website www.yooxgroup.com.

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The remuneration of non-executive directors is not related to the financial results achieved by the Issuer.

As of the date of this Report, non-executive directors are not included among the recipients of share-based incentive plans.

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Indemnity of directors in case of resignation, dismissal or cessation of the working relationship following a public purchase offer (Article 123-*bis*, paragraph 1, letter i) of the TUF)

With the exception of the cases set out below, there were no agreements signed between the Issuer and the directors relating to indemnity in case of resignation or dismissal/removal without just cause or if the working relationship ceases following a public purchase offer.

The employment agreement signed on October 8, 2009, and later amended on October 20, 2011, between the Company and Federico Marchetti states that, if prior to the approval of the financial statements at December 31, 2011, Federico Marchetti: (i) is removed from the Board; (ii) he resigns for just cause; (iii) he has the powers delegated to him revoked or diminished; (iv) if a person with similar powers to Federico Marchetti is appointed without his prior written consent; or (v) if the entire Board of Directors steps down pursuant to Article 2386 of the Civil Code, then the Company will be obliged to pay Federico Marchetti (a) the fixed and variable fees that would have been paid to him by the Company up until the date on which his position as Chief Executive Officer would have naturally ceased. For the purposes of calculating the amount due, the variable amount to be used will be the last one paid, projected up to the date on which his mandate would have naturally ceased; (b) a penalty equivalent to 18 months of the entire annual payment paid to Federico Marchetti in the year before the termination of his employment contract and/or the powers delegated to him, including the variable fees paid.

The employment agreement also makes provision, that if at the Issuer's Meeting for the approval of the 2011 financial statements, Federico Marchetti is not appointed CEO and/or within 15 days following the appointment, the new employment agreement is not signed by the Company, Federico Marchetti will have the right, within ten days of the first of the events described above taking place, to receive a sum of Euro 1,000,000 without prejudice to what has been described previously.

The employment agreement also provides that if the Company undergoes a change in control (understood as a change in control in respect of the shareholding structure following the offer relating to the listing of YOOX shares, pursuant to Article 93 of the TUF, even if this does not trigger the obligation to launch a public purchase offer), Federico Marchetti will have the right, within 60 days of such an event, to resign and be paid the following amounts by the Company: (i) the fixed and variable fees that would have been paid to him by the Company up until the date on which his position as Chief Executive Officer would have naturally ceased. For the purposes of calculating the amount due, the variable amount to be used will be the last one paid, projected up to the date on

which his mandate would have naturally ceased; (ii) a penalty equivalent to 18 months of the entire annual payment paid to him in the year before the termination of his employment contract and/or the powers delegated to him, including the variable fees paid.

The employment agreement signed on October 8, 2009 by the Company and Federico Marchetti, also establishes that 30% of any fees paid by the Company to the Chief Executive Officer, Federico Marchetti, is understood as a non-competition undertaking.

For more information on the effects of the cessation of the working relationship on stock option plans, see the information document prepared pursuant to Article 84-*bis* of the CONSOB Issuer Regulation, held at the Company headquarters and available in the Corporate Governance section of the Company website www.yooxgroup.com.

10. INTERNAL CONTROL COMMITTEE

The Board of Directors has formed an Internal Control Committee from among its members.

The Internal Control Committee was formed, subject to the Start of Trading of ordinary shares on the MTA, with Board resolution of September 3, 2009, pursuant to Article 2.2.3, paragraph 3, letter l) of the Stock Exchange Regulation.

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

- Massimo Giaconia – independent director – Chairman;
- Raffaello Napoleone – independent director;
- Catherine Gérardin – independent director.

Director Massimo Giaconia has experience in finance and accounting considered adequate by the Board at the time of his appointment.

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Functions attributed to the Internal Control Committee

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

(a) it assists the Board of Directors in performing activities relating to the internal control system, particularly in defining the guidelines of the internal control system and in the periodic checks regarding its adequacy, effectiveness and functioning;

(b) it assists the Board of Directors in selecting an executive director to oversee the functioning of the internal control system;

(c) it assists the Board of Directors in assessing, at least on an annual basis, the suitability, effectiveness and functioning of the internal control system;

(d) it assists the Board of Directors in describing, in the Report on Corporate Governance, the essential elements of the internal control system, providing an assessment of the overall adequacy of the system;

(e) it evaluates, together with the Director in charge of preparing corporate accounting documents and the auditors, the correct use of the accounting standards adopted and their homogeneity for the purposes of preparing the Consolidated Financial Statements;

(f) upon request from the executive director responsible in this regard, it expresses opinions on specific aspects regarding the identification of the main business risks, as well as the design, implementation and management of the internal control system;

(g) it examines the work plan prepared by internal control officers as well as the periodic reports they prepared;

(h) it evaluates the results in the auditors' report and in any letter of suggestions;

(i) it performs further duties assigned to it by the Board of Directors;

(j) it reports to the Board of Directors, at least every six months, upon the approval of the annual and interim financial statements, on the activities carried out and the adequacy of the internal control system;

(k) if requested, it expresses a prior opinion to the Board of Directors upon the approval of certain transactions implemented by the Company with related parties.

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

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During the year, the Internal Control Committee met four times on March 4, May 4, July 28 and November 8, 2011, dealing with the following points:

- examining the work plan and related activities of the Internal Control Manager for 2011, defined under the internal audit plan approved on March 3, 2011, by the Director with responsibility for supervising the internal control functions and approved by the Internal Control Committee on March 4. The Internal Control Manager reported, in the various meetings, on the progress of activities;
- discussion of Law 39 of January 27, 2010;
- examining the activities performed by the Internal Control Manager for remedying the shortcomings identified under the scope of Legislative Decree 231/01 and, for certain aspects, Law 262/05;
- examining the activities carried out by the Internal Control Manager for adaption to Legislative Decree 231/01 following the updating of the Organisation, Management and Control Model pursuant to Legislative Decree 231/01 adopted by the Company on December 16, 2010;
- examining the activities performed by the Director in charge of preparing corporate accounting documents, with the support of the Internal Audit department, for monitoring for compliance with Law 262/05 relating to annual information for the year at December 31, 2010 and the half-year information at June 30, 2011, both concluded with positive results;
- evaluation, together with the Director in charge of preparing corporate accounting documents and the External Auditors, of the correct use of accounting principles and their uniformity for the purposes of compiling the consolidated financial statements, also monitoring the effectiveness of the auditing and development process of the accounting documents produced by the Company.

The Board of Statutory Auditors, the Director in charge of preparing corporate accounting documents, the Internal Control Manager, the Supervisory Body pursuant to Legislative Decree 231/01 and the External Auditors are involved in the work of the Internal Control Committee.

The Internal Control Committee meetings were minuted.

On average, the Internal Control Committee meetings lasted approximately an hour and fifty minutes.

At least four committee meetings are expected to take place in 2012. As well as that already held on March 5, 2012 a further three meetings are scheduled on the following dates: May 7, 2012, July 31, 2012 and October 30, 2012.

The following took part in the Internal Control Committee meeting held on March 5, 2012: the members of the Board of Statutory Auditors, the Director in charge of preparing corporate accounting documents, the Internal Control Manager, the Supervisory Body pursuant to Legislative Decree 231/01 and the External Auditors.

During the meeting on March 5, 2012, the Committee approved the Audit Plan for 2012; took into account the activities performed by the Internal Control Manager and the Director in charge of preparing the Issuer's accounting documents, with the support of the Internal Audit department for compliance pursuant to Law 262/05; and planned the schedule of meetings for 2012.

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

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

11. INTERNAL CONTROL SYSTEM

The Board defines the guidelines for the internal control system, understood as the totality of processes intended to monitor the efficiency of company operations, the reliability of financial information, compliance with laws and regulations and the safeguarding of company assets.

To this end, the Board:

(i) ensures the prevention and management of corporate risks relating to the Issuer and its subsidiaries, by defining guidelines for the internal control system that ensure that these risks are correctly identified, as well as appropriately measured, monitored, managed and assessed, also in relation to safeguarding company assets and sound and correct company management;

(ii) periodically checks, at least on an annual basis, the adequacy, effectiveness and functioning of the internal control system.

In performing these duties, the Board works with a director charged with overseeing the functioning of the internal control system (the "**Director in Charge**") with the duties listed below, and an Internal Control Committee comprising members of the Board, whose functions are described above.

The internal control 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 established objectives.

To meet this macro-objective, the system focuses on:

- management control (economic viability), defined through compliance with company strategies, compliance with objectives, compliance with company policies, and the safeguarding of company assets;

- administrative-accounting control (reliability), defined through the preparation of financial statements for publication and the preparation of the internal operational reporting;

- control of legal compliance (conformity with laws), defined through compliance to Law 262/05, Legislative Decree 231/01, internal procedures, the quality system, the Code of Conduct and the Code of Ethics.

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At the meeting on March 7, 2012, the Board assessed the effectiveness and functioning of the internal control system. The Board took care to verify the existence and implementation of an internal control system, with a detailed examination of the structure of this system, its suitability and its effectiveness and functioning.

For this purpose, the Board of Directors examined the reports prepared by the Internal Control Manager, already examined previously by the Internal Control Committee and the Chief Executive Officer, verifying that the existing structure of the internal control system at the Issuer is actually effective in the pursuit of the goals and that any weaknesses reported will not prejudice the reliability of the internal control system.

11.1. Executive Director in Charge of the internal control system

On December 4, 2009, the Board appointed Chief Executive Officer Federico Marchetti as the Director in Charge of overseeing the functioning of the internal control system.

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In connection with and implementation of the guidelines established by the Board, the Director in Charge has the following duties:

(i) to identify 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;

(ii) to design, implement, manage and monitor the internal control system;

(iii) to adjust the internal control system in light of any problems that emerge during the updating and development of the Company's organisational and operational structures, trends in company activities and legislative and regulatory developments that may be relevant to the Issuer and its subsidiaries.

In performing these functions, the Director in Charge makes use of the activities carried out by the Internal Control Manager.

The Director in Charge checked the 2012 Audit Plan prepared by the Internal Control Manager. This plan was presented and approved during the meeting held on March 5, 2011 between the Director in Charge and the Internal Control Manager. On March 5, 2011, this document was discussed with the Internal Control Committee.

11.2. Internal Control Manager

With the favourable opinion of the Internal Control Committee and with a resolution dated December 4, 2009, the Board of Directors appointed Pietro Tagliati as Internal Control Manager, for the purpose of checking that the internal control system is adequate, fully operational and functioning. The appointment of the Internal Control Manager was made at the same time as that of the Director in Charge.

With the favourable opinion of the Internal Control Committee and with a resolution dated December 4, 2009, the Board of Directors defined the remuneration of the Internal Control Manager, which was understood to be already covered in the employee remuneration.

The Internal Control Manager is not responsible for any operational area, and does not report to managers of any operational area, including administration and finance.

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The Internal Control Manager:

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

- reports on his/her activities to the Internal Control Committee and the Board of Directors;

- also reports on his/her operations to the Director in Charge.

No financial resources were allocated to the Internal Control Manager, since in performing his duties, he makes use of the means and company structures of the Issuer.

The following duties are assigned to the Internal Control Manager:

(i) check the efficiency, adequacy and functioning of the internal control system;

(ii) assist the Director in Charge in performing functions related to internal control;

(iii) report on his/her activities, at least every quarter, to the Director in Charge, and, at least every six months, to the Internal Control Committee and to the Board of Statutory Auditors;

(iv) immediately inform the Director in Charge, the Board and the Internal Control Committee if these management checks reveal risk profiles for the Issuer, or in any case, elements, even if only potential, that are seriously prejudicial thereto;

(v) contribute to the meetings of the Board and Internal Control Committee that he/she is invited to attend;

(vi) carry out further duties that the Board deems appropriate to assign thereto, with particular reference to the internal audit department.

Over the year, the Internal Control Manager supported the organisation in the activities necessary for compliance with regulations intended to strengthen the role to be attributed to the internal control system.

The Internal Control Manager has prepared the 2012 Internal Audit Plan consistent with the activities carried out during 2009, 2010 and 2011, and in continuation of them.

The specific activities of the Internal Control Manager relating to the year 2011 are set out in the internal audit plan approved by the Director in charge of overseeing internal control on March 3, 2011 and by the Internal Control Committee on March 4, 2011.

Activities aimed at regulatory compliance as well as specific operative audit operations were developed on the basis of the internal audit plan, specifically:

- monitoring activities aimed at compliance to Law 262/05, relating to annual information for the year at December 31, 2010, half-year information at June 30, 2011 and related follow ups, with a positive outcome;
- compliance activities relating to Legislative Decree 231/01, by way of example, monitoring pursuant to Legislative Decree 231/01 and verifications relating to aspects on the subject of security, with a positive outcome;
- regulatory adaptation activities following the updating of the Organisational, Management and Control Model pursuant to Legislative Decree 231/01 and related compliance documents with reference to new offences introduced by the Decree and adopted by the Company on December 16, 2010 and, more specifically, the completion of the training process pursuant to Legislative Decree 231/01;
- updating and integration of “Policy 231” and “Procedures 231” prepared during the first adaptation to the Model pursuant to Legislative Decree 231/01 and following the updating of the Model in question adopted by the Company on December 16, 2010.

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The Issuer has created an Internal Audit department. The head of the Internal Audit department is Internal Control Manager Pietro Tagliati.

For the operation of the Internal Audit department, in relation to the issues handled, the Issuer uses external organisations.

11.3. Organisational Model pursuant to Legislative Decree 231/2001

The Issuer adopted the Organisational, Management and Control Model for the prevention of the offences pursuant to Legislative Decree 231/2001 (hereinafter also the “**Model**”) as amended, on September 3, 2009, intended to ensure probity and transparency in the execution of company activities, to protect the position and image of Group companies, shareholders’ expectations and the work of its employees, and formulated on the specific needs determined by the entry into force of Legislative Decree 231/2001. Through the resolution of the Board of Directors of December 16, 2010, in light of the regulation updates, the Issuer adopted a new version of the Organisational, Management and Control Model pursuant to Legislative Decree 231/01 and the Code of Ethics.

The Code of Ethics forms an integral part of this Model, and is intended to define the fundamental ethical principles and rules of conduct to be adhered to, creating conditions suitable to ensure that the Issuer’s activity is based on the principles of probity and transparency, and reducing the risk of committing the offences set out in Legislative Decree 231/2001.

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

The Supervisory Body, appointed on September 8, 2009, is composed of three members in the persons of Rossella Sciolti, an independent member, as Chairwoman, Gerardo Diamanti (appointed on July 1, 2010 in place of Francesco Guidotti), an independent member, and Pietro Tagliati, the Issuer's Internal Audit Manager.

The offences described by Legislative Decree 231/2001 are specifically those against the Public Administration (Articles 24 and 25), counterfeiting money, credit cards, stamps, instruments or identifying marks (Article 25-*bis* (new formulation)); obstructing trade or industry (Article 25-*bis*. 1); corporate offences (Article 25-*ter*); those relating to health and safety at work (Article 25-*septies*, Law 123/2007) – Consolidate Law on Safety; money laundering offences (Article 25-*octies*, Legislative Decree 231/07 in implementation of Directive 2005/60/EC); offences relating to the violation of intellectual property rights (Article 25-*novies*); computer crimes and illegal processing of data (Article 24-*bis*, Law 48/2008 in Official Gazette 80 of April 4, 2008); market abuse and the abuse of confidential information (Article 25-*sexies*).

The Model introduces a suitable penalty system for conduct that violates it and in particular, if the Model is breached by one or more members of the Board, the Supervisory Body shall inform the Board of Statutory Auditors and the entire Board, which will take the appropriate steps.

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

11.4 Independent auditors

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

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

11.5 Director in charge of preparing corporate accounting documents

Pursuant to Article 19 of the Issuer's bylaws, following mandatory consultation with the Board of Statutory Auditors, the Board of Directors appoints the Director in charge of preparing corporate accounting documents, pursuant to Article 154-*bis* of the TUF, conferring on him/her sufficient means and powers to execute the duties attributed thereto. In addition to the requirements of honesty prescribed for statutory auditors by the laws in force, the Director in charge of preparing corporate accounting documents must meet professional requirements of at least three years' experience in administration and control, or in performing management or consulting functions in a listed company and/or related groups of companies or organisations of significant size and importance, also in relation to the preparation and control of corporate accounting documents. The Director in charge of preparing corporate accounting documents must also meet the requirements of honesty prescribed for statutory auditors by the laws in force. The failure to uphold these requirements will result in dismissal from the position, which must be declared by the Board of Directors within 30 days of it being made aware of the fault.

On July 1, 2010, the Board, with the favourable opinion of the Board of Statutory Auditors, appointed Francesco Guidotti as Director in charge of preparing corporate accounting documents and Director of Administration, Finance and Control. With the appointment, the Board checked the existence of the requirements pursuant to the laws in force and the Company's bylaws.

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

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

Also, in order to implement the Criteria 1.C.1, letter f), 9.C.1 and 9.C.2 of the Code, the Issuer defined and adopted dedicated procedures for important transactions and related transactions, suitable to guarantee full and exhaustive information on these types of transactions for the Directors.

Procedure for Significant Transactions with Independent Parties

As provided for by Criteria 1.C.1. letter f) of the Code, the Issuer has adopted an internal procedure (the "**Procedure**") intended to regulate information and procedures relating to transactions that have a significant impact on the Company's financial statements, with particular reference to significant transactions conducted by YOOX with independent parties, also establishing criteria to identify these transactions, which are therefore the responsibility of the Issuer's Board. The Procedure is available in the Corporate Governance section of the Company website www.yooxgroup.com.

The Procedure provides that "Significant transactions with independent parties" are the transactions listed below conducted by the Issuer with parties other than Related Parties.

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

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

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

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

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

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

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

Procedure for Related-party Transactions

On November 10, 2010, the Board of Directors, with the favourable opinion of the Internal Control Committee (composed of the following independent directors: Massimo Giaconia, Catherine Gérardin and Raffaello Napoleone) charged with this purpose, unanimously approved the procedure for transactions with related parties (the "**Related Parties Procedure**") adopted pursuant to the Related Parties Regulation.

The Issuer applies the Related Parties Procedure taking into account CONSOB Communication no. DEM/10078683, published on September 24, 2010, containing instructions and guidelines for the application of the Related Parties Regulation.

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

- governs the procedure for identifying related parties, defines the method and timing for the preparation and updating of the List of Related Parties, and identifies the company divisions with responsibility for doing so;

- identifies the rules for identifying related-party transactions before they are carried out;

- regulates the procedures for carrying out transactions with related parties by the Issuer, also through its subsidiaries, pursuant to Article 2359 of the Civil Code or subject to direction and coordination activities;

- establishes the procedure and timing for the fulfilment of the obligation to inform corporate bodies and the market.

Pursuant to paragraph 5 of the Related Parties Procedure, Directors who have an interest in the transaction must inform the Board of Directors promptly and in full of the existence of that interest and on the related circumstances of the same. The decision to have those directors leave the meeting during decisions on the

transaction or to abstain from voting must be made on a case by case basis. If the director in question is the Chief Executive Officer, he will not conclude the transaction. In such cases, the Board's decisions must state adequate reasons and the benefit for the Issuer of entering into the transaction.

The Related Parties Procedure and annexes can be consulted on the Issuer's website www.yooxgroup.com under the Corporate Governance section.

Committee for Related-party Transactions

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

The Committee for Transactions with Related Parties is composed of:

- Massimo Giaconia – independent director – Chairman;
- Catherine Gérardin – independent director;
- Raffaello Napoleone – independent director.

13. APPOINTMENT OF STATUTORY AUDITORS

The appointment and replacement of statutory auditors is governed by the legislation and regulations in force and by Article 26 of the Issuer's bylaws.
Pursuant to Article 26 of the bylaws, the Board of Statutory Auditors is made up of three standing auditors and two alternate auditors. The statutory auditors' term is three years, expiring on the date of the Shareholders' Meeting called to approve the financial statements of the last year of their term. Statutory auditors may be re-elected. Their remuneration is determined by the Shareholders' Meeting upon their appointment for the entire duration of their term.

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

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

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

Shareholders, who, as of the presentation date, alone or together with other shareholders hold a stake at least equal to that determined by CONSOB pursuant to Article 147-*ter*, paragraph 1 of the TUF, and in compliance with the CONSOB Issuer Regulation, may present a list for the appointment of statutory auditors. In this regard, with Resolution 18083 of January 25, 2012, CONSOB set the shareholding required to present candidate lists for the election of the Issuer's control body, with reference to the year ended December 31, 2011 at 2.5% of the share capital.

Lists must be deposited at the Company headquarters at least 25 (twenty five) days before the Shareholders' Meeting called to appoint the auditors (first or only call). The Company must also make the lists available to the public at least 21 (twenty one) days before the Shareholders' Meeting, according to the procedures set out by the laws in force.

Lists must indicate the names of one or more candidate(s) for the office of standing auditor and one or more candidate(s) for the office of alternate auditor. The candidates' names are ordered progressively in each section

(standing auditor section, alternate auditor section), and their number must not be greater than the number of auditors to be elected.

Furthermore, the lists contain, also in annexes:

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

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

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

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

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

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

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

Statutory auditors are elected as follows: (i) two standing auditors and one alternate auditor are taken, according to the progressive order in which they are listed, from the list that obtained the largest number of votes (the "**majority list**"); (ii) a standing auditor, to be appointed as Chairman of the Board of Statutory Auditors ("**minority auditor**"), and an alternate auditor ("**minority alternate auditor**") are taken, according to the progressive order in which they are listed, from the list that obtained the second highest number of votes, and which is not linked even indirectly with the shareholders that presented or voted for the majority list pursuant to applicable provisions (the "**minority list**"). If two lists receive the same number of votes, the list presented by shareholders with the greatest shareholding at the time the lists are presented, or subordinately, by the greatest number of shareholders, shall prevail.

If only one list is presented, the Shareholders' Meeting shall vote on it, and if it obtains the relative majority of votes, without taking abstentions into account, all the candidates for the positions of standing and alternate auditor on the list shall be elected. In this case, the Chairman of the Board of Statutory Auditors shall be the first standing auditor candidate.

If no lists are presented, the Board of Statutory Auditors and the Chairman are appointed by the Shareholders' Meeting through simple majority voting prescribed by law.

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

Pursuant to Article 2401, paragraph 1 of the Civil Code, the Shareholders' Meeting appoints and replaces statutory auditors, in compliance with the principle of mandatory minority shareholder representation.

14. STATUTORY AUDITORS

The Issuer's Board of Statutory Auditors currently in office consists of three standing auditors and two alternate auditors, appointed by the Ordinary Shareholders' Meeting of October 7, 2009. Note that the control body currently in office was appointed without the application of the shareholder list voting system, but on the basis of the bylaws in force before the Start of Trading.

The Board of Statutory Auditors will remain in office until the Shareholders' Meeting convened to approve the financial statements as at and for the year ending December 31, 2011.

The curriculum vitae of the standing and alternate auditors are filed at the Company headquarters and available in the Corporate Governance section of the Company website www.yooxgroup.com.

The Board of Statutory Auditors consists of the following members:

Name	Position	In office since	In office until	List	Indep. pursuant to Code.	% part B.A.	Other positions
Filippo Tonolo	Chairman	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-	X	100	27
Luca Sifo	Standing Auditor	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-	X	100	6
David Reali	Standing Auditor	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-	X	100	20
Nicola Bottecchia	Alternate Auditor	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-	X	n/a	4
Edmondo Maria Granata	Alternate Auditor	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-	X	n/a	9

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

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

On average, the meetings lasted approximately 2.30 hours.

Taking into consideration the fact that the term of the Control Body will expire in 2012, there are plans for at least one more meeting, in addition to the one that took place on January 18, 2012.

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At its meeting on August 1, 2011, the Board of Statutory Auditors verified that its members met the requirements of independence, also using to this end the criteria contained in the Code regarding directors' independence.

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

The Board of Statutory Auditors has supervised and will supervise the independence of the Independent Auditors, checking compliance with applicable regulations as well as the nature and scope of services other

than auditing provided to the Issuer and its subsidiaries by the Independent Auditors and entities within its network.

The Board of Statutory Auditors has constantly maintained normal coordination activities with the Internal Control Committee and the Internal Audit department.

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The Board of Statutory Auditors was endowed with the committee functions for internal control and auditing (the "**Committee for internal control and auditing**") and, specifically, the functions of supervising: *(i)* the financial information process; *(ii)* the efficiency of the internal control, internal review, if applicable, and risk management systems; *(iii)* financial auditing of the annual accounts and consolidated financial statements; and *(iv)* independence of the statutory auditor or auditing firm, especially as far as the provision of non auditing services to the firm that is the subject of the statutory audit is concerned.

14.1 Functioning of the Board of Statutory Auditors

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

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

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

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

15. RELATIONS WITH SHAREHOLDERS

Disclosure to shareholders is ensured by making available the most important Company documentation, promptly and continuously, in the Investor Relations and Corporate Governance sections of the Issuer's website www.yooxgroup.com.

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

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

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

16. SHAREHOLDERS' MEETINGS AND RIGHTS

Under Article 8 of the Issuer's bylaws, shareholders may attend the Shareholders' Meeting if they have the right to vote. Shareholders may attend the shareholders' meeting and exercise the right to vote if the Company has received an attendance notice from the intermediary who holds the related accounts pursuant to the law on the basis of evidence of these accounts relating to the end of the accounting day of the seventh day the market was open prior to the date established for the meeting (first or 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's website. The Company can designate an individual to whom shareholders can grant a mandate to represent them at the Shareholders' Meeting, pursuant to Article 135-*undecies* of the TUF, giving notice of the calling of the Meeting (Article 9 of the bylaws).

Under Article 7 of the bylaws, both Ordinary and Extraordinary Shareholders' Meetings are called, pursuant to the laws in force, with a notice published on the Company's website as well as other methods peremptorily provided for by law and regulations and, if required by the applicable regulations, in the Official Gazette of the Republic of Italy, or in the daily newspapers Il Sole 24 Ore or M.F. Mercati Finanziari/Milano Finanza, specifying the date, time and place of the first and possibly second and third call, if the first and second meetings are unattended, as well as a list of agenda items to be discussed, without prejudice to compliance with any other provisions established by the laws in force. However, notice of the calling can exclude recourse to callings after the first one if the Meeting is held following a single calling as permitted under Article 2369, paragraph 1, of the Civil Code.

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

The level of shareholdings required to submit lists is indicated in the notice calling the Shareholders' Meeting to appoint members of the Company's management and control bodies.

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

Pursuant to Article 126-*bis* of the TUF, shareholders who, including jointly, represent at least one-fortieth of the share capital, may request – except for the items that must be proposed by the Board of Directors or based on a plan or report produced thereby – additional items for 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 wish to have an item included in the agenda should send a report on the subjects they propose and it should be handed over to the Board of Directors within the deadline for submission.

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

Article 127-*ter* of the TUF provides that shareholders can ask questions about subjects on the agenda even before the meeting. Questions received before the meeting will be answered, at the latest, during the actual meeting. The Company reserves the right to provide a single answer to questions with the same content.

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

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

For the constitution of Ordinary and Extraordinary Shareholders' Meetings and its resolutions to be valid, they must comply with the provisions of the laws in force and the bylaws. As well as the provisions of the laws in force and the bylaws, the holding of the Shareholders' Meeting is governed by the specific Shareholders' Meeting Regulation, which must be approved by the Shareholders' Meeting (Article 11 of the bylaws). All resolutions, including those of elections to company positions, are passed by open ballot (Article 12 of the bylaws).

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

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

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

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

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

On the occasion of the Shareholders' Meeting, the Board has reported on the activities carried out and planned and has provided the shareholders with adequate information surrounding the necessary elements so that they can take the necessary decisions with full knowledge of the facts.

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

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At its meeting of March 7, 2012, in accordance with Criteria 11.C.6 of the Code, the Board did not consider it necessary to propose to the Shareholders' Meeting any changes to the bylaws in relation to the percentages established for the year of the privileges put in place to protect minority shareholders – in application of Article 144-*quater* of the CONSOB Issuer Regulation for the presentation of lists for the appointment of members to the Board of Directors and Board of Statutory Auditors – as Articles 14 and 26 of the Issuer's bylaws require a shareholding at least equal to that determined by CONSOB pursuant to the laws and regulations. In this regard, with Resolution 18083 of January, 25, 2012 the CONSOB set the shareholding required to present candidate lists for the election of the Issuer's management body, with reference to the year ending December 31, 2011 at 2.5% of the share capital.

17. FURTHER CORPORATE GOVERNANCE PRACTICES

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

18. CHANGES SINCE THE END OF THE YEAR

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

Zola Predosa (BO), March 7, 2012
For the Board of Directors

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

(Translation from the Italian original which remains the definitive version)

DIRECTORS' REPORT

CONTENTS

REFERENCE MARKET....51
INTRODUCTION....51
Multi-brand business segment....53
Mono-brand business segment....54
REVENUE AND PROFITABILITY....56
Methodology note....56
Accounting policies....56
Reclassified consolidated income statement....58
Analysis of net revenue and operating profit by business segment....60
Consolidated net revenue by geographical area....61
MARKETING AND COMMUNICATIONS....62
INVESTMENTS....64
FINANCIAL POSITION....65
Consolidated statement of financial position....65
Debt/Consolidated net financial position....66
Reconciliation of Parent's equity and profit for the year with the equity and profit for the year pertaining to the Group....67
Information on significant non-EU companies....67
Other information....67
YOOX S.p.A.....69
YOOX S.p.A. reclassified income statement....69
YOOX S.p.A. investments....69
Summary financial position of YOOX S.p.A.....70
INFORMATION FOR INVESTORS....71
RISK FACTORS....73
INFORMATION CONCERNING MEASURES TO PROTECT PRIVACY....74
PERSONAL DATA PROTECTION CODE....74
TAX MATTERS....74
LEGAL MATTERS....74
HUMAN RESOURCES....75
THE ENVIRONMENT....77
CORPORATE GOVERNANCE....77
EVENTS AFTER THE REPORTING YEAR....81
OUTLOOK....82
BOARD OF DIRECTORS' PROPOSED RESOLUTION TO SHAREHOLDERS....82
ANNEXES TO THE DIRECTORS' REPORT....83

DIRECTORS' REPORT

REFERENCE MARKET

The difficult global macroeconomic environment experienced in 2011 does not seem to have had an impact on the online retail market, which this year too continued to record high levels of growth in all the Group's key markets.
Forrester Research estimates that the online retail market, excluding the travel, motor vehicle and prescription medicines sectors, recorded sales in 2011 of around Euro 97 billion in Western Europe, an increase of 16% compared with 2010[1], around USD 202 billion in the United States, a growth of almost 14% compared with 2010[2] and Yen 4,547 billion in Japan, a growth of 13% compared with the previous year[3]. In 2012, Forrester estimates growth of 15% for the online retail market in Western Europe, 11% in Japan, and 12% in the United States.
Within the online retail market, the YOOX Group operates in the fashion sector (defined as the collection of clothing, footwear, jewellery and watches markets) which, according to Forrester Research information in 2011, represented about 23% of the online retail market in Western Europe and 21% in the United States, recording growth rates equal to 20% and 15% compared with 2010. Forrester forecasts a CAGR (Compound Annual Growth Rate) for 2011-2016 of around 16% in Western Europe and 10% in the United States. The online fashion market in Japan (defined as the collection of clothing, accessories and footwear markets) represents about 20% of the entire online retail market, a growth of 13% compared with the previous year and with an estimated CAGR for 2011-2015 of about 9%.
According to the forecasts published by Forrester Research in October 2010, the online fashion market in China (defined as the collection of clothing, accessories and footwear markets), recorded sales of around CNY 87 billion in 2011 (equal to around Euro 10 billion), a growth of 37% compared with 2010. Although the market is relatively small compared with the others described above, Forrester forecasts a significantly higher CAGR for 2011-2015 of around 19%.
The reasons for the strong growth forecasts for the online retail market throughout the world are many-fold; they include the wider selection of products offered on the web, the search for convenience and the growing perception of the web as a safe place to make purchases. The trend towards an increase in the number of internet users and people completing orders online together with the higher average annual expenditure per user are also a confirmation of the emergence of a new, increasingly digitally native generation.
A growing number of fashion, design and luxury companies have forged closer contacts with the world of the internet, aware of what a strategic role it can play in helping them expand their visibility and what they offer at a global level and establish a direct relationship with their customers. This has led to more companies investing in improvements to the shopping experience, online content and alternative channels, such as social and mobile commerce, thus sustaining the growth of online sales over the long term.

INTRODUCTION

In 2011 the Group recorded consistent growth in revenue, both for the Multi-brand and the Mono-brand business segments and, for the first year in the Group's history, North America became the main market, in spite of the unfavourable impact of the exchange rate. The financial resources generated by operating activities were used for procurement and for technology innovations, to deal with future growth.

In 2011, seven Online Stores were launched for the **Mono-brand** business segment, bringing the Group's number of "Powered by YOOX Group" Online Stores to 30: in March y-3store.com was launched in Europe, the United States and Japan, and in November in China too, and brunellocucinelli.com was launched in Europe, the United States and Japan. In June 2011, bikkembergs.com was launched in Europe, and was extended to the United States in October 2011. The Dolce & Gabbana brand Online Store was launched in July 2011, following an agreement signed between Dolce & Gabbana Industria S.p.A. and YOOX S.p.A. on July 12, 2011. The dolcegabbana.com "Powered by YOOX Group", mainly active initially in Europe, the United States and Japan, was launched on the Chinese market in August 2011. September 2011 saw the launch of the moncler.com Online Store in Europe and the United States, following an agreement signed by Industries S.p.A. and YOOX S.p.A. in May 2011. In October 2011, the new armani.com "Powered by YOOX Group" Online Store was

[1] Calculations based on Forrester Research data – "Online retail forecast, 2011 to 2016 (Western Europe), Forrester Research Inc., February 27, 2012".
[2] Calculations based on Forrester Research data – "Online retail forecast, 2011 to 2016 (US), Forrester Research Inc., January 18, 2012".
[3] Calculations based on Forrester Research data – "Online retail forecast, 2010 to 2015 (Asia Pacific), Forrester Research Inc., October 15, 2010".

launched, following an agreement signed by Giorgio Armani S.p.A. and YOOX S.p.A. on June 30, 2011. The agreement runs for five years until August 31, 2016. armani.com, optimised for iPhone, iPad and Android, is mainly active in Europe, the United States, Japan and, from October, China too, with the Giorgio Armani, Armani Collezioni, Armani Junior, EA7, Emporio Armani and Armani Jeans brands. Lastly, the trussardi.com Online Store was launched in December 2011 following an agreement signed with TRS Evolution S.p.A. and YOOX S.p.A. on August 29, 2011. trussardi.com is mainly active in Europe, the United States and Japan under the Trussardi 1911 brand.
As seen from the events after the reporting year, the Online Store barbarabui.com was launched in February 2012 in Europe, the United States and Japan, following an agreement signed with Barbara Bui S.A. and YOOX S.p.A. on August 29, 2011.
Finally, three new collaboration agreements were signed on December 31, 2011: the Online Store Pringle of Scotland will be launched in March 2012 in Europe, the United States and Japan following the agreement signed with Pringle of Scotland Ltd on November 21, 2011. Two new Online Stores for the Pomellato and Dodo brands were launched in 2012 in Europe, the United States and Japan following agreements signed with Pomellato S.p.A. and YOOX S.p.A. on November 14, 2011.

Furthermore, in 2011 three important collaboration agreements were renewed for a further five years: in addition to the above-mentioned agreement between Giorgio Armani S.p.A. and YOOX S.p.A., in March 2011 Valentino S.p.A. and YOOX S.p.A. renewed their collaboration agreement for the management of the valentino.com Online Store in Europe, the U.S. and Japan for a further five years, until February 28, 2016. In May, Marni International S.A., Marni S.r.l. and YOOX S.p.A. extended their collaboration agreement for the management of the marni.com Online Store in Europe, the U.S., China and Japan for a further five years, until August 31, 2016.

Numerous Online Stores were extended to new markets and new lines during 2011. In February 2011, the Online Store diesel.com expanded into the Japanese market, both for desktops and mobiles (Keitai) and the Marni Online Store, the Bally Online Store and the D&G brand Online Store dandgstore.com expanded into the Chinese market in March, May and August, respectively, bringing the number of Online Stores “Powered by YOOX Group” at December 31, 2011 in this country to seven. As seen from the events after the reporting year, the Online Store dsquared2.com was extended to China in March 2012.
Also, in January 2011 the Jil Sander Navy line was activated within the jilsander.com Online Store, in February the Just Cavalli line was activated within the robertocavalli.com Online Store and in September the Z Zegna line was activated within the zegna.com Online Store.

For the **Multi-brand** business segment, which continues its sustained rates of growth, on September 26, 2011, following its entry into China through the Mono-brand business segment at the end of 2010, the YOOX Group launched its multi-brand store thecorner.com.cn with a selection of important luxury and cutting-edge designer brands dedicated to the Chinese market. In addition to providing a premium service that is fully localised, the corner.com.cn offers several services specially designed for this market such as the butler service, in other words the possibility of trying on the garment when it is delivered and, if necessary, giving it back immediately to the courier to be returned.
In addition, as highlighted in the events after the reporting year and in line with the Group’s strategy to extend its in-season offering, YOOX Group is launching shoescribe.com, a new Multi-brand Online Store dedicated entirely to women’s footwear. From March 7, 2012, shoescribe.com will sit alongside yoox.com and thecorner.com within the Multi-brand business segment.

In 2011, the partnership between YOOX Group and Vogue, Condè Nast Group was strengthened. This coming together of their respective e-commerce and editorial expertise has given rise to many initiatives in Italy, the United States and China, aimed at promoting the creativity of emerging designers in international fashion through e-commerce.

Also, following on from the recent success of yoox.com in Russia and based on the huge potential for development in this market, on October 21, 2011 thecorner.com was also launched in Russia with a localisation strategy aimed at offering customers an extremely high level customised service. thecorner.com is available entirely in Russian with dedicated customer care also in Russian.

In order to take advantage of the opportunities offered by a promising market such as South Korea, which already claims very high internet penetration rates as well as a high propensity towards online purchases, on November 3, 2011 the Group launched the localised version of yoox.com in this market, which is served by the Hong Kong logistics hub. The new online store is entirely in Korean.
The Group plans to continue its present strategy of steady growth on a global scale with the objective of **expanding geographically**, both by strengthening the markets in which it operates and by seizing new opportunities to expand its geographical reach. At the end of 2010 the Group entered China with the opening of

the first Online Store for the Mono-brand business segment, followed by another six stores in 2011 and then the launch of thecorner.com.cn for the Multi-brand business segment.
Penetration of the North American market continues with sustained growth rates and, although it is partly affected by the depreciation of the dollar, it has become the main country for the Group; growth in Japan too continues, in spite of the earthquake and tsunami in March 2011, which did not compromise the Group's operating capacity.
In April and May 2011, the Group opened new geographic markets, bringing the number of countries served to over 100 and, in some of them, it implemented a strategy of greater localisation. In this context, a branch was set up in Hong Kong to oversee the countries of the Asia-Pacific area: this branch is 100% controlled by YOOX S.p.A. and has a local office and logistics hub which also serves South Korea.

The Group intends to continue the strong growth in future years, supporting the global development of its Mono-brand partners, yoox.com and thecorner.com, and continuing to improve the service offered to its customers. With these aims in mind, YOOX has launched an important project relating to the **automation** of its **techno-logistics** platform and in January 2011, BSL Geodis, an SNCF Group company, one of the foremost global suppliers of logistics services in Europe, became YOOX's partner in this project.
YOOX Group completed the automation project of the new global techno-logistics platform, which became fully operational at the end of September 2011.
The new automated platform has significantly increased operating efficiency levels which, in the fourth quarter of the year, greatly reduced costs of logistical warehouse management. Furthermore, thanks to automated picking, the new structure has improved the order handling management process where peak demand during the Christmas period was managed very efficiently, in addition to punctuality of deliveries to end customers reaching record levels.
The unique nature of this project, which once again puts YOOX at the forefront of its sector, is that it combines the use of the most modern automation systems with RFid (Radio Frequency Identification) technology. The project has been developed within an eco-sustainable framework, in line with Group policies. All the containers used in the plant are made from recyclable material and are 100% recyclable. The technology used allows a considerable energy saving compared with the traditional process.
From November 7, 2011, under the scope of the eco-sustainable framework in line with Group policies in recent years, yoox.com will make deliveries throughout the world using the ecobox, the new packaging made entirely from recycled materials which are 100% recyclable with a view to environmental, social and economic sustainability.

The consolidation and updating of the Group **multi-channel technology platform** continued in 2011 as well. Specifically, to take full advantage of the opportunities from the growing trend of online purchasers towards multi-channels, the technology team focused on implementing new technological solutions for the development of mobile websites for the Group's Online Stores, with the objective of offering customers the chance of choosing the channel they prefer to make their purchases on.
The web application for the corner.com was launched in April 2011 for iPhone and Android, the first Group application to incorporate a fast checkout system on the mobile channel. This was followed in later months by the release of a mobile website for several Mono-brand Online Stores and on May 9, 2011 the new native application for yoox.com was launched for Android. The presentation and navigation structure for thecorner.com website was also revised, in order to improve iPad platform use.
In 2011, the Group recorded considerable growth in the use of new channels such as smart phones and tablets, which at the end of the year already accounted for a significant share, not only of traffic, but also of sales.
The technology team also focused on issuing new releases for the Group Online Stores, with the aim of improving the shopping experience for customers. In June 2011, these included Release 9.5 of yoox.com, which further strengthened integration with social networks, and, in September 2011, Release 4.0 of thecorner.com, which, in addition to a revision of the graphics, improved the usability of the website and made the contents more accessible.

Multi-brand business segment

The Group's Multi-brand operations break down into two Online Stores owned by the Company:

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

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

The Group has based growth on yoox.com, and on the basis of the technological, operational and commercial expertise it has acquired over the years, it has subsequently developed the Mono-brand business segment and thecorner.com.

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

thecorner.com is an Online Store launched in February 2008 to market the current season's collections of established brands and exclusive and/or handcrafted brands, characterised by relatively limited distribution, and most of which are being made available online for the first time. The products sold on thecorner.com carry prices in line with those found in the traditional channel for the same clothing and accessories.
Initially the offering of thecorner.com exclusively included the menswear collection, which was extended to the women's wear collection in September 2009. From September 2011 the corner.com also expanded into China.
thecorner.com is a virtual space containing mini-stores dedicated to each brand, designed to recreate the style, the atmosphere and the world of ideas evoked by the brand. Customers can browse for clothes, shoes and accessories while immersed in exclusive multimedia content and images from advertising campaigns and fashion shows.

In 2011, the Multi-brand business segment generated a monthly average of about 5.2 million unique visitors[4].

The Group has designed and promoted web campaigns courtesy of which the Multi-brand business segment has reached a figure in 2011 of approximately 38 thousand websites in more than 50 countries; about 197 million newsletters were sent out to registered users translated into the languages managed by the Group.

Mono-brand business segment

Since 2006 the Group has operated in the Mono-brand business segment, which involves the design, setting up and exclusive management of Mono-brand Online Stores for some of the world's leading fashion brands with which it works together closely. Products available in the Online Stores are sold and invoiced directly to end customers by YOOX.

The Group offers its services as a key Strategic Partner for major fashion companies boasting internationally-renowned brands. Thanks to its years of experience, the Group is able to manage the entire online shopping process for these companies. All Online Stores display the wording "Powered by YOOX Group", which is considered recognition of the guarantee of service quality offered by YOOX.
Furthermore, the Group offers its partners consulting and web marketing investment management services, both when new Online Stores are launched and when they are operational.

In 2011, the Mono-brand business segment generated a monthly average of about 5.2 million unique visitors.

At December 31, 2011, there were 30 operating Online Stores, three set up in 2006-2007, seven in 2008, six in 2009, seven in 2010 and seven in 2011. Specifically:

- marni.com, the Online Store of the Marni brand, operational since September 2006, mostly active in Europe, the U.S. and Japan and operational in China since March 2011;

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

- diesel.com, the Online Store of Diesel and Diesel Black Gold brands, operational mainly in Europe and the U.S. since November 2007 and Japan since February 2011;

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

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

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

- valentino.com, the Online Store of Valentino and the Red Valentino brands, operational since April 2008 in the U.S. and as of March 2009 in the main European markets and Japan;

- misssixty.com, the Online Store of the Miss Sixty brand, operational since September 2008, mainly in Europe and the U.S.;

- costumenational.com, the Online Store of the Costume National and 'C'N'C' Costume National brands, operational since September 2008, mainly in Europe, the U.S. and Japan; the extension to the 'C'N'C' Costume National brand has been since September 2010;

- energie.it, the Online Store of the Energie brand, operational since October 2008, mainly in Europe and the U.S.;

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

- moschino.com, the Online Store of Moschino, Love Moschino and MoschinoCheapAndChic brands, active since February 2009 mainly in Europe and the U.S.;

- bally.com, the Online Store of the Bally brand, operational since February 2009, mainly in Europe and the U.S. and operational in China since May 2011;

- dandgstore.com, the Online Store of the D&G brand, operational since June 2009 mainly in Europe, the U.S. and Japan and operational in China since August 2011;

- dsquared2.com, the Online Store of the Dsquared2 brand, operational since September 2009, mainly in Europe, the U.S. and Japan and, from March 2012, in China;

- jilsander.com, the Online Store of the Jil Sander and Jil Sander Navy brands, operational since September 2009 mainly in Europe, the U.S. and Japan; the extension to the Jil Sander Navy brand has been since January 2011;

- robertocavalli.com, the Online Store of Roberto Cavalli and Just Cavalli, operational since November 2009 mainly in Europe, the U.S. and Japan; the extension to the Just Cavalli brand has been since February 2011;

- coccinelle.com, the Online Store of the Coccinelle brand, operational since February 2010, mainly in Europe, the U.S. and Japan;

- giuseppezanottidesign.com, the Online Store of the Giuseppe Zanotti brand, operational since February 2010, mainly in Europe, the U.S. and Japan;

- napapijri.com, the Online Store of the Napapijri brand, operational since March 2010, mainly in Europe and the U.S.;

- albertaferretti.com, the Online Store of Alberta Ferretti and Philosophy di Alberta Ferretti brand, active since March 2010 mainly in Europe, the U.S. and Japan;

- zeishouse.com, the Online Store of Zeis Excelsa S.p.A for the sale of Merrell, Cult, Bikkembergs, Docksteps, Harley-Davidson Footwear, Samsonite Footwear, Sebago and Virtus Palestre footwear brands, operational since September 2010 in Europe;

- maisonmarinmargiela.com, the Online Store of the Maison Martin Margiela brand, operational since October 2010, mainly in Europe, the U.S. and Japan;

- zegna.com, the Online Store of the Ermenegildo Zegna, Zegna Sport and Z Zegna brands, operational since December 2010 mainly in Europe, the U.S. and Japan; extension to the Z Zegna brand took place in September 2011;

- y-3store.com, the Online Store of the Y3 brand, operational since March 2011, mainly in Europe, the U.S. and Japan and, from November 2011, in China;

- brunellocucinelli.com, the Online Store of the Brunello Cucinelli brand, operational since March 2011, mainly in Europe, the U.S. and Japan;

- bikkembergs.com, the Online Store of the Dirk Bikkembergs Sport Couture and Bikkembergs brands, operational since June 2011, mainly in Europe and, since October 2011, in the U.S.;

- dolcegabbana.com, the Online Store of the Dolce & Gabbana brand, operational since July 2011 mainly in Europe, the U.S. and Japan and, since August 2011, in China;

- moncler.com, the Online Store of the Moncler brand, operational since September 2011, mainly in Europe and the U.S;

- armani.com, the Online Store of the Giorgio Armani, Armani Collezioni, Armani Junior, EA7, Emporio Armani and Armani Jeans brands, operational since October 2011 mainly in Europe, the U.S., Japan and China;

- trussardi.com, the Online Store of the Trussardi 1911 brand, operational since December 2011, mainly in Europe, the U.S. and Japan.

At December 31, 2011, agreements were also signed for the launch of the barbarabui.com Online Store, operational since February 2012, the pringlescotland.com Online Store which will be launched in March 2012, two new Online Stores for the Dodo and Pomellato brands which will be launched in 2012 and the agreement to extend dsquared2.com to China, which will be operational from March 2012.

In addition, negotiations are in progress with several other renowned fashion brands that plan to offer their collections on the internet.

REVENUE AND PROFITABILITY

Methodology note

This Directors' Report contains information relating to the revenue and profitability of the YOOX Group and Parent YOOX S.p.A. for 2011.
Unless otherwise indicated, all amounts are expressed in thousands of Euro. In producing this report the comparisons in the Group consolidated and separate financial statements refer to the corresponding period of the previous financial year. For reasons of clarity, variances in percentage terms and variations in the diverse items indicated have been calculated on precise values. Moreover, possible differences that may be found in some tables are due to rounding off amounts expressed in thousands of Euro. The Parent YOOX S.p.A. is referred to with its full name or simply as the Company; the Group reporting directly to it appears as YOOX Group or simply as the Group; when notes refer to subsidiaries, full company names are used.
All subsidiaries of YOOX S.p.A. operate in the Group's business sector, or in any event, perform activities that are consistent with those of the Group. YOOX S.p.A. manages its subsidiaries with reference to the geographical operating area. Thus, for more precise information on geographical areas, please refer to the information by business segment, and in general, to information provided in the consolidated financial statements in terms of comments on the main events that occurred in relation to subsidiaries.

Accounting policies

The Annual Report at December 31, 2011 was written in compliance with Article 154-*ter*, paragraph 5 of Legislative Decree 58/98 of the Consolidated Finance Act and later amendments and additions and in compliance with Article 2.2.3 of the Stock Exchange Regulations.

The accounting policies, the consolidation policies and the measurement criteria used in preparing the Annual Report at December 31, 2011 are consistent with those used to draw up the Annual Report at December 31, 2010; which is available on the website www.yooxgroup.com in the "Investor Relations" section.

The accounting policies used by the Parent and the Group are consistent with 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, financial assets held for trading and

available-for-sale financial instruments, which are stated at their current value) and on the assumption that the business is a going concern.

Also, in order to provide better information on the Group's revenues and profitability, in the light of the seasonal nature of sales, information referring to the fourth quarter of 2011 is also given.

The income statements of the Group, presented in the following pages of the current Director's 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 excluding incentive plans and operating performance. Some of the above interim profitability indicators are not recognised as accounting measures under the IFRS endorsed by the European Union, and their calculation may not be standard. Group management uses these indicators to monitor and measure the Group's performance. Management believes that these indicators are an important measure of operating performance in that they are not affected by the various criteria used to calculate taxes, the amount and characteristics of invested capital and the related amortisation and depreciation methods. The criterion used by the Group to calculate these indicators might not be consistent with that adopted by other groups or companies, and accordingly, the resulting figures may not be comparable.

Reclassified consolidated income statement

Reclassified consolidated income statement for the fourth quarter of 2011:

Thousand Euro	Q4 2011	Q4 2010	Change	
Consolidated net revenue	86,760	63,534	23,225	36.6%
Cost of goods sold	(52,526)	(36,222)	(16,305)	45.0%
Gross Profit[5]	**34,233**	**27,312**	**6,921**	**25.3%**
% of consolidated net revenue	39.5%	43.0%		
Fulfilment costs	(7,243)	(6,077)	(1,166)	19.2%
Sales and marketing costs	(9,421)	(6,896)	(2,525)	36.6%
EBITDA Pre Corporate Costs[6]	**17,569**	**14,339**	**3,230**	**22.5%**
% of consolidated net revenue	20.3%	22.6%		
General & Administrative expenses	(5,698)	(5,322)	(376)	7.1%
Other income and expenses	398	(96)	494	>100%
EBITDA[7]	**12,268**	**8,920**	**3,348**	**37.5%**
% of consolidated net revenue	14.1%	14.0%		
Depreciation and amortisation	(2,806)	(1,398)	(1,408)	>100%
Non-recurring expenses -		-	- -	
Operating profit	**9,463**	**7,522**	**1,940**	**25.8%**
% of consolidated net revenue	10.9%	11.8%		
Financial income	901	312	589	>100%
Financial expenses	(458)	(158)	(300)	>100%
Profit before tax	**9,906**	**7,676**	**2,230**	**29.0%**
% of consolidated net revenue	11.4%	12.1%		
Taxes	(3,537)	(2,590)	(947)	36.5%
Consolidated profit for the period	**6,369**	**5,086**	**1,283**	**25.2%**
% of consolidated net revenue	7.3%	8.0%		
EBITDA excluding Incentives[8]	**13,285**	**10,017**	**3,268**	**32.6%**
% of consolidated net revenue	15.3%	15.8%		

The fourth quarter of 2011 saw a growth in consolidated net revenue of 36.6% compared with the same period in the previous year (+36.3% at constant exchange rates). Profitability, measured in terms of EBITDA (earnings before interest, taxes, depreciation and amortisation) was Euro 12,268 thousand, recording growth of 37.5% compared to the fourth quarter of 2010. EBITDA excluding Incentive Plans stood at Euro 13,285 thousand, equal to profitability of 15.3%.
The Consolidated net profit for the fourth quarter of 2011 was Euro 6,369 thousand, with profitability of consolidated revenue of 7.3%. This result is affected by an increase in depreciation and amortisation due, in the main, to the automation of the techno-logistics platform, as well as investments in innovation and technological consolidation, and the modernisation of the Group offices.

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

[6] EBITDA Pre Corporate Costs is defined as profit before general expenses, other operating income and expenses, depreciation and amortisation, non-recurring expenses, financial income and expenses and income taxes. Since EBITDA Pre Corporate Costs is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union, its calculation might not be standard, and the measurement criterion adopted by the Group might not be consistent with that used by other groups. Accordingly, the resulting figures may not be comparable. EBITDA Pre Corporate costs correspond to the segment operating result shown in the Group Consolidated Financial Statements.

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

[8] The EBITDA excluding Incentive Plans is defined as the EBITDA net of costs relating to the Stock Option Plans and Company Incentive Plans, described in the Group's Consolidated Financial Statements. For more details, refer to Annex 1 of this Report, which describes the impact of these costs on the reclassified consolidated income statement.

Reclassified consolidated income statement for 2011:

Thousand Euro	2011	2010	Change	
Consolidated net revenue	291,188	214,288	76,900	35.9%
Cost of goods sold	(183,019)	(129,864)	(53,155)	40.9%
Gross Profit	**108,168**	**84,423**	**23,745**	**28.1%**
% of consolidated net revenue	37.1%	39.4%		
Fulfilment costs	(29,580)	(21,539)	(8,041)	37.3%
Sales and marketing costs	(31,549)	(24,691)	(6,859)	27.8%
EBITDA Pre Corporate Costs	**47,039**	**38,194**	**8,846**	**23.2%**
% of consolidated net revenue	16.2%	17.8%		
General & Administrative expenses	(22,601)	(18,945)	(3,656)	19.3%
Other income and expenses	(357)	(497)	141	-28.3%
EBITDA	**24,081**	**18,751**	**5,330**	**28.4%**
% of consolidated net revenue	8.3%	8.8%		
Depreciation and amortisation	(7,659)	(3,744)	(3,915)	>100%
Non-recurring expenses -		-	- -	
Operating profit	**16,423**	**15,007**	**1,416**	**9.4%**
% of consolidated net revenue	5.6%	7.0%		
Financial income	1,237	986	250	25.4%
Financial expenses	(1,209)	(1,053)	(156)	14.8%
Profit before tax	**16,450**	**14,941**	**1,510**	**10.1%**
% of consolidated net revenue	5.6%	7.0%		
Taxes	(6,450)	(5,824)	(626)	10.7%
Consolidated profit for the year	**10,000**	**9,117**	**884**	**9.7%**
% of consolidated revenue	3.4%	4.3%		
EBITDA excluding Incentive Plans	**28,248**	**22,495**	**5,753**	**25.6%**
% of consolidated revenue	9.7%	10.5%		

Consolidated revenue, net of returns and customer discounts, increased by 35.9% in 2011 compared to the previous year. Sales were negatively affected by the overall impact of foreign exchange fluctuations with respect to sales in U.S. dollars, Japanese yen, Chinese renminbi and English pounds. If average exchange rates for the 2010 were applied to consolidated net revenue for the same period in 2011, the Group's revenue growth would be 37.0%.

EBITDA is Euro 24,081 thousand at December 31, 2011 compared with Euro 18,751 thousand at December 31, 2010. The percentage incidence of EBIDTA on revenue went from 8.8% in 2010 to 8.3% in 2011. The Group's profitability was affected by the expenses relating to the Incentive Plans equal to Euro 4,167 thousand, compared with Euro 3,744 thousand in 2010. Excluding these costs, EBITDA excluding Incentive Plans stood at Euro 28,248 thousand, with a margin on revenue of 9.7% compared with 10.5% at December 31, 2010. In 2011, the Group's profitability was affected by the start-up costs of activities in China.

Consolidated profit for the year stood at Euro 10,000 thousand, with profitability on consolidated revenue from sales of 3.4% in spite of increased depreciation and amortisation costs relating to the techno-logistics platform automation project, investments in innovation and in technological consolidation, as well as the opening of the new office in Milan, the expansion of the offices in Bologna and the start-up of activities in China.

The table below provides several key indicators on the Group's operations for 2010 and 2011.

	Dec. 31, 2011	Dec. 30, 2010
Number of monthly Unique Visitors [9] (millions)	10.4	8.6
Number of orders (thousands)	2,055	1,523
AOV[10] (Euro)	180	179
Number of Active Customers [11] (thousands)	808	612

In 2011, the Group recorded a monthly average of 10.4 million Unique Visitors compared with 8.6 million in 2010. The Multi-brand visitors for 2011 tend to be in line with 2010, because the Group, as already partly seen

[9] Source: SiteCatalyst for yoox.com and Google Analytics for thecorner.com and Online Stores.
[10] Average Order Value or AOV, excluding VAT, indicates the average value of each purchase order.
[11] An Active Customer is defined as a customer who placed at least one order during the 12 preceding months.

during the course of 2010, is directing its initiatives in high conversion rate channels with a view to improving and selecting qualified traffic to generate sales.
The number of orders went from 1,523 thousand in 2010 to 2,055 thousand in 2011, a growth of 35.0%, equal to one order processed every 15 seconds[12], with the average order value (AOV) equal to Euro 180 (excluding VAT)[13]. During the year, approximately 99% of orders tracked were delivered to comply with the times chosen by customers, and thanks to automated picking which improved the order handling management process, peak demand during the Christmas period was managed very efficiently, and the punctuality of deliveries to end customers also reached record levels.
The number of active customers totalled 808 thousand, rising by 31.9% compared to 612 thousand in 2010.

Analysis of net revenue and operating profit by business segment

Key operating information by business segment, with a breakdown of the Group's net revenue and operating profit by business segment for 2010 and 2011, is provided below.
Since the management reporting system used by management to assess corporate performance does not allocate certain accounting aggregates to business segments (depreciation and amortisation, non-monetary revenue and expenses, general expenses, other non-recurring income and expenses, financial income and expenses and taxes), these items remain the purview of the Corporate area since they are not related to the specific operating activities of the business segments. Thus, the business segment's operating profit coincides with EBITDA Pre Corporate Costs in terms of the items included and previously reported in this total.
For additional details on operating information by business segment at December 31, 2011, with a reconciliation of items with the Group's income statement, see the Group's consolidated financial statements at December 31, 2011.

Operating information by business segment at December 31, 2011 is as follows:

	Multi-brand		**Mono-brand**		**Group total**	
Thousand Euro	2011	2010	2011	2010	2011	2010
Consolidated net segment revenue	212,791	163,657	78,397	50,631	**291,188**	**214,288**
% of consolidated net Group revenue	73.1%	76.4%	26.9%	23.6%	**100.0%**	**100.0%**
% change	*30.0%*		*54.8%*		***35.9%***	
Segment operating profit	32,217	29,135	14,823	9,058	**47,039**	**38,194**
% of consolidated net segment revenue	15.1%	17.8%	18.9%	17.9%	**16.2%**	**17.8%**
% change	*10.6%*		*63.6%*		***23.2%***	

The Group's consolidated revenue for 2011, net of returns from sales and discounts given to customers, was equal to Euro 291,188 thousand, a growth of 35.9% compared with Euro 214,288 thousand in 2010 with a contribution from both business segments.
The sector operating profit (or EBITDA Pre Corporate Costs) stood at Euro 47,039 thousand in 2011, a growth of 23.2% compared to the Euro 38,194 thousand in 2010, with profitability of 16.2% compared with 17.8% in 2010. In the fourth quarter of 2011, both business segments benefited from a reduced impact on net revenue of logistical management costs, thanks to a significant increase in operating efficiency as a result of the new highly automated techno-logistics platform.

Multi-brand business segment
The Multi-brand business segment, which includes the activities of Online Stores yoox.com and thecorner.com, recorded consolidated net revenue of Euro 212,791 thousand, an increase of 30.0% compared with Euro 163,657 thousand at the end of 2010. This increase is attributable to both the brilliant performance of thecorner.com, which continues to achieve results that are better than those forecast, and the sustained growth of yoox.com. In total, at December 31, 2011, the Multi-brand business segment accounted for 73.1% of the Group's consolidated net revenue.
The Multi-brand segment operating profit increased by 10.6%, with a margin of 15.1% compared to 17,8% in 2010, largely influenced by lower gross profit. This result was affected by the unfavourable Euro/dollar exchange rate in the first nine months of the year and the greater contribution of the yoox.com Spring/Summer collection which featured promotions in September and October 2011, as a result of record temperatures during those months. Furthermore, in the fourth quarter of 2011, this result can also be attributed to marketing policies and free shipping undertaken by the Group in some Countries.

[12] Calculated by dividing the total number of seconds in 2011 by the number of orders processed at Group level over the same period of time.
[13] The average order value (AOV) at constant exchange rates would have been equal to Euro 182.

Mono-brand business segment

The Mono-Brand business segment includes the planning, set-up and management of the Online Stores of some of the leading fashion brands on a global basis. Products available in the Online Stores are sold and invoiced directly to end customers by YOOX Group. This business segment recorded consolidated net revenue of Euro 78,397 thousand, an increase of 54.8% compared with Euro 50,631 thousand in 2010.

The growth of the Mono-brand business segment is due to both the good performance of the 23 Online Stores already operational at December 31, 2010, and the seven new Online Stores launched in 2011: y-3store.com, brunellocucinelli.com, bikkembergs.com, dolcegabbana.com, moncler.com and, in the fourth quarter of 2011, armani.com and trussardi.com. The extension of the Online Stores of Marni, Bally and D&G in China and Diesel in Japan are also to be added. Overall, at December 31, 2011 the Mono-Brand business segment accounted for 26.9% of the Group's consolidated net revenue and numbers 30 Online Stores.

The segment operating profit increased by 63.6%, with a margin of 18.9% compared to 17.9% in 2010. This performance is due to the different mix of Online Stores, in addition to revenue deriving from the web marketing and web design services offered by Yagency.

Consolidated net revenue by geographical area

Below is a breakdown of the Group's consolidated net revenue by geographical area for 2010 and 2011.

Thousand Euro	2011		2010		Change	
Italy	57,677	19.8%	49,240	23.0%	8,437	17.1%
Europe (excluding Italy)	141,572	48.6%	102,989	48.1%	38,584	37.5%
North America	59,731	20.5%	42,199	19.7%	17,532	41.5%
Japan	19,827	6.8%	13,433	6.3%	6,394	47.6%
Other countries	6,089	2.1%	2,250	1.0%	3,839	170.6%
Not country related	6,292	2.2%	4,177	1.9%	2,115	50.6%
Total YOOX Group	**291,188**	**100.0%**	**214,288**	**100.0%**	**76,900**	**35.9%**

All the main target markets contributed to the growth of the Group, recording positive performances compared with 2010, specifically the foreign markets, which in 2011 represented approximately 80%[14] of total net revenues.

For the first year in the history of YOOX Group, North America became the leading market, with sales of Euro 59,731 thousand, corresponding to 20.5% of consolidated net revenue, a growth of 41.5% over 2010, in spite of the unfavourable impact of the exchange rate (+48.6% at constant exchange rates).

Italy grew by 17.1% compared with 2010, with sales of Euro 57,677 thousand, confirming the Group's leadership in the domestic market.

The results for the rest of Europe were also positive with growth of 37.5%. The main countries contributing to the Group's sales in Europe in 2011 were France, Germany and England, all showing increases compared with 2010, and Russia, which continues to post excellent results.

Japan's performance was brilliant, with a growth of 47.6% compared with 2010 (+40.9% at constant exchange rates), and growth in the Other Countries was also sustained (+170.6% compared with 2010).

Lastly, the growth of the "Not country related" item (+50.6% compared with 2010) comprised the set-up and maintenance activities for the Online Stores, media partnership projects in the Multi-brand business segment as well as web marketing and web design services in the Mono-brand business segment, and other services offered by Yagency.

[14] Excludes the "Not country related" segment.

MARKETING AND COMMUNICATIONS

During 2011, the marketing area's activities followed three main policies: the acquisition of new customers, increasing the retention rate of customers acquired through CRM and direct marketing operations and increasing brand awareness.
In order to acquire new customers, campaigns in the major performance areas were intensified, in particular "Search Engine Marketing" activities (SEM – promoting websites by increasing their visibility in the main search engine pages) and the management of the affiliation networks and price comparison websites.
Direct Marketing operations aimed at increasing the profitability of customers acquired were expanded (with a strong focus on purchasing frequency); these operations were mainly implemented by sending dedicated communications, highly targeted at different types of customers.
Activities were also pursued regarding the purchase of online advertising space on websites devoted to fashion and online versions of the main daily papers worldwide, the negotiation and implementation of new marketing agreements and the development on new partnerships in general, activities directed, in the main, at increasing brand awareness.
Online marketing activities were significantly consolidated in markets with great potential for growth, specifically Russia, Eastern Europe and South East Asia with a particular focus on Japan and South Korea.
Activities were carried out for Group Multi-brand stores (yoox.com and thecorner.com) and for Mono-brand stores, with the activities of agencies assuming increasing importance for the latter.
In 2011, the Group designed and promoted web campaigns that allowed the Multi-brand business segment to reach about 38 thousand sites in more than 50 countries. Around 197 million newsletters, translated into the languages managed by the Group, were sent to subscribed users for the Multi-brand segment.
In the management of the web marketing investment on behalf of Strategic Partners of the Mono-brand business segment, the Group is offering support and consulting services to Online Stores, especially in the management of search engine marketing (SEM), but also in the field of affiliation marketing and Display Advertising campaigns.

At the same time, the number of media partnership projects on yoox.com was increased. These projects consist of the creation of product areas customised by fashion brand, design, beauty and lifestyle, promoted through the YOOX Group communication channels (yoox.com, the newyooxer.com, newsletters, partner magazine shopping sections, social network channels). In 2011, approximately 28 media partnership projects were set up with the same number of Italian and international brands.

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

In relation to yoox.com, the most important initiatives and collaborations launched in 2011 were:

- yoox.com exclusively presented the "Waris loves you" collection designed by Waris Ahluwalia in February: the project was promoted through an event in New York attended by numerous celebrities and journalists;
- yoox.com promoted a selection of rare vintage and contemporary pieces directly from the archives of the designer Kenneth Jay Lane, on sale exclusively, a project which was launched in March at an event in New York;
- in support of the section dedicated to design, yoox.com gave an exclusive preview, during Milan design week, of several new products presented at the show;
- in April, to support the Red Cross committed to helping the people who suffered in the Japanese earthquake, yoox.com collaborated with eight international fashion brands (Ann Demeulemeester, Antonio Marras, Dsquared2, Kitsuné, Maison Martin Margiela, Marni, Moschino and Y-3) launching a special t-shirt collection on sale exclusively at yoox.com;
- the Moschino PETS collection was launched exclusively in May in conjunction with Moschino in the PETS section of yoox.com dedicated to our four-legged friends with the profits going to the association National Disaster Search Dog Foundation, supporting the relief activities for the earthquake in Japan;
- a press conference was held in May in New York during design week to launch the exclusive MULTIBONG product designed by Cappellini for yoox.com;
- in June, yoox.com took a further step into the world of m-commerce, launching its application dedicated to the Android world;
- in July, yoox.com presented a new collaboration with Altaroma Re-edition, a project dedicated to re-editions of iconic clothing from historic fashion houses, on sale exclusively at yoox.com directly from the show in Rome via iPad;

- in September. the vintage area of yoox.com presented a collection of pieces selected by “Serg Riva” the creation of the U.S. blogger James Buckhouse;
- in September, yoox.com launched a collection of mini hats designed by Paola Maugeri for the historic brand BORSALINO, drawing inspiration from the world of rock ‘n’ roll;
- in September, yoox.com launched a capsule collection, specifically for the Spanish market, signed by the Spanish stylist Amaya Arzuaga: the collection was presented through an exclusive video, featuring the Spanish celebrity Maribel Verdù;
- in September, for the Vogue Italia and Altaroma Who’s on Next competition, yoox.com gave a preview of the 2012 Spring/Summer collection of the CO|TE designers and a product created exclusively;
- in October, yoox.com celebrated the launch of the memoirs of Rosamond Bernier, a socialite and friend of the great stylists and artists of the twentieth century. yoox.com sold the book with a special limited edition cover and dedicated editorial;
- for Japan Fashion week in October, yoox.com promoted several Japanese designers on an international scale, showing a selection of their Fall/Winter collections and a Spring/Summer piece designed exclusively for yoox.com;
- in October, for Halloween, yoox.com launched a capsule collection of jewellery created by the Chinese socialite and designer Baobao Wan;
- yoox.com was the online media partner of Vogue Fashion Night Out Japan in October, selling a collection of Vogue Fashion Night Out Japan branded products and giving the proceeds to charity;
- in October, the historic Venini brand of Murano glass launched its shop-in-shop “Spazio Venini” on yoox.com. On the occasion of the launch, Venini re-proposed a limited run of two historic vases designed by Paolo Venini, exclusively on yoox.com;
- in November, yoox.com was the online retail partner of the M. Missoni project for OrphanAid with a capsule collection designed by Margherita Maccapani Missoni. Part of the proceeds of the project went to OrphanAid;
- in November, yoox.com, in collaboration with the prestigious design and homeware magazine Case da Abitare, did a photo shoot of ideas for Christmas presents;
- in December, yoox.com vintage offered the public and collectors around 50 Hermès scarves from the sixties to the nineties.

In 2011, thecorner.com also launched numerous new collaborations and special projects including:

- in January and June 2011, thecorner.com worked with Pitti Immagine as a web media and retail partner, presenting exclusive online content related to the main events of the show, video and interviews;
- strategic partnerships with Vogue in various countries to support young talent: on February 23, 2011, Vogue Italia and thecorner.com presented “The Vogue Talents Corner” at Palazzo Morando (Milan), an innovative scouting project with the aim of promoting the creativity of the emerging talents on the international fashion stage through e-commerce. A show-event with fourteen young designers presented the 2011 Spring/Summer collections of talented young people, which could be purchased at thecorner.com in an area dedicated to the project. Also, in November, thecorner.com, as the online retail partner of the prestigious initiative “CFDA / Vogue Fashion Fund (CVFF)”, promoted by the Council of Fashion Designers of America and Vogue America, showcased an area dedicated to the ten American designers who were the finalists of the project, giving all fans the possibility of reserving and receiving the 2012 Spring/Summer creations in advance. In December, thecorner.com participated in the Vogue UK initiative, Online Fashion Week, giving away an exclusive t-shirt made by Pringle of Scotland to all UK customers. In China, in collaboration with VOGUE China, “The Vogue Talents Corner” was launched, a project dedicated to promoting up and coming Chinese designers, both online on the website and on paper and with a physical event in Beijing, in which international and Chinese personalities and celebrities took part;
- from January to March, thecorner.com launched new mini-stores for Dries Van Note, Want le Essentieles de la Vie, Piombo and the new mini-store Ferragamo’s Creations, with a selection of online exclusive footwear and an interview with Ferruccio Ferragamo;
- the corner.com conducted exclusive “Unconventional Conversation” interviews hosted by Maria Luisa Poumaillou with Rick Owens, Haider Ackermann and Pierre Hardy between February and March;
- the exclusive capsule collections of Damir Doma, Acne and Kitsuné were launched between February and March;
- February saw the launch of the new women’s wear collections of the designers of the London Show Rooms project, under the auspices of the British Fashion Council; in September, thecorner.com also presented LONDON SHOW ROOMS MEN, a space dedicated to the men’s wear collections of the most important up and coming British designers, in which the editor Tim Blanks took part, occurring at the same time as the launch of the third season of the LONDON SHOW ROOMS WOMEN project;
- in April, thecorner.com presented the men’s Styling Around The World project created by Fantastic Man and in May a new episode of the project dedicated to women created by Zoo Magazine; in November, in

collaboration with Interview Magazine, there was an exclusive photo shoot dedicated to New York, which appeared in the November issue of the magazine and, at the same time, there was a dedicated area of thecorner.com for purchasing the clothing in the photos;
- in April and May, the angle by Valeria Golino and Agyness Deyn was launched;
- in April, the corner.com gave online boutique customers a free exclusive limited edition t-shirt created by Jun Takahashi;
- in July, thecorner.com presented the first mini-store hosted by an international magazine with an event in Berlin, Zoo Finest, the corner of Zoo Magazine, with the collections of four up and coming talents, Anne de Grijff, Hien Le, Issever Bahri and Kaviar Gauche;
- in September, the corner.com launched its Chinese version, thecorner.com.cn, asserting itself as one of the first official Multi-brand Online Stores to offer Chinese customers the latest collections of the most important brands in the world and a fully localised service. For the occasion, thecorner.com presented the third edition of the Fashion Film series, created by the Chinese filmmaker and fashion photographer, Wing Shya, with the title “LOST PARADISE”;
- from September to November, thecorner.com presented “Unconventional Conversation” exclusive interviews hosted by Maria Luisa Poumaillou with Olivier Theyskens, Guillaume Henry and Christopher Kane;
- in October, thecorner.com took part, as a partner, in the fourth edition of the festival dedicated to the ASVOFF fashion films by Diane Pernet, awarding the THECORNER.COM AWARD to the most deserving creative talent;
- in October, thecorner.com took part in the creation of the book dedicated to the 5th anniversary of the Spanish magazine Hercules, which was presented at the launch during an event in Madrid;
- September to November saw the launch of new mini-stores for Paul Smith, N°21, Uniqueness, Mugler, Pringle of Scotland, Agnona and Alexander Olch;
- between September and December, the exclusive capsule collections were launched on thecorner.com of Ann Demeulemeester and Richard Nicoll as well as exclusive products by Agnona, Zoraide and Giuliano Fujiwara;
- starting at the end of November and with a weekly appointment leading up to Christmas, thecorner.com presented the Christmas Around The Corner project: five stages of a project that chose iconic personalities of various nationalities as protagonists, who told their stories in an interview, wore their favourite thecorner.com clothes and recommended Christmas gifts on thecorner.com.

In close cooperation with the Press Offices of the respective brands, the Group took part in communication activities for the Online Stores launched in 2011, as well as the extension to new markets for Online Stores already operating.

The Group’s editorial coverage in 2011 included important magazines in the industry with titles such as Harper’s Bazaar (USA), Vogue (China), Vogue (Greece), L’Uomo Vogue (Italy), The Times Magazine (UK), and Wall Street.

INVESTMENTS

In 2011, the Group made investments totalling Euro 23,629 thousand, Euro 9,114 thousand in intangible assets and Euro 14,515 thousand in property, plant and equipment.

Increases in intangible assets were mainly for investments in multi-year development projects valued at Euro 8,088 thousand. These investments have been made by YOOX S.p.A. for specific projects aimed at the ongoing development of innovative solutions for the creation and management of Online Stores.
Other investments in intangible assets refer mainly to software, licences and other Group intangible activities.

Investments in property, plant and equipment are mainly linked to investments in the highly automated technological platform, a project in which the Group has been investing since the fourth quarter of 2010.

There have also been investments in technological infrastructures as well as the renewal/completion of the Zola Predosa premises and the new offices in Milan.

FINANCIAL POSITION

Consolidated statement of financial position

The tables below contain the figures taken from the Group's reclassified consolidated statement of financial position as at December 31, 2011 and the Group's consolidated statement of cash flows for the same year.

Reclassified consolidated statement of financial position as at December 31, 2011:

Thousand Euro	Balance as at Dec. 31, 2011	Balance as at Dec. 31, 2010	% Change
Net working capital[15]	32,998	24,781	33.2%
Non-current assets	36,911	21,487	71.8%
Non-current liabilities (excluding financial liabilities)	(296)	(397)	-25.5%
Net invested capital [16]	**69,613**	**45,871**	**51.8%**
Equity	82,554	68,697	20.2%
Net debt / (Net financial position) [17]	(12,941)	(22,826)	-43.3%
Total sources of financing	**69,613**	**45,871**	**51.8%**

Reclassified consolidated statement of cash flows for 2011:

Thousand Euro	2011	2010	% Change
Cash flow generated by (used in) operating activities	14,889	(494)	>100%
Cash flow generated by (used in) investing activities	(10,688)	(11,537)	-7.4%
Sub-total	**4,201**	**(12,032)**	**>100%**
Cash flow generated by (used in) financing activities	(5,646)	1,212	>100%
Total cash flow generated during the year	**(1,445)**	**(10,820)**	**-86.6%**

The net capital invested by the Group went from Euro 45,871 thousand at December 31, 2010 to Euro 69,613 thousand at December 31, 2011, an increase of 51.8%. The increase of net invested capital is due to both the increase of net working capital (which at December 31, 2011 was equal to Euro 32,998 thousand), in turn mainly due to the physiological increase in warehouse inventories (equal to Euro 25,551 thousand) necessary to sustain the growth in sales expected for the Multi-brand business segment, and also to the investments undertaken by the Group. These investments were financed by operating activities which generated Euro 14,889 thousand.

[15] 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.

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

[17] Net debt (or net financial position) is the sum of cash and cash equivalents, other current financial assets, net of bank loans and borrowings and other financial payables due within one year, other current financial liabilities and non-current 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), see the table below in the section "Debt/Consolidated net financial position". "Other current financial assets" are not governed by the definition of net debt (or net financial position) of the CESR: the Group believes this definition should be integrated under "other current financial assets" including claims vs. acquirer and logistics operators from whom cash on delivery is required.

Debt/Consolidated net financial position

The table below gives details of the YOOX Group's net financial position at December 31, 2011.

Thousand Euro	Balance at Dec. 31, 2011	Balance at Dec. 31, 2010	% Change
Cash and cash equivalents	22,743	24,188	-6.0%
Other current financial assets	5,466	5,111	6.9%
Bank loans and other current financial payables	(2,527)	(5,600)	-54.9%
Other current financial liabilities	(1,218)	(26)	>100%
Short-term net financial position	**24,463**	**23,672**	**3.3%**
Medium-long term financial liabilities	(11,522)	(846)	>100%
Consolidated net financial position	**12,941**	**22,826**	**-43.3%**

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

Cash and cash equivalents totalled Euro 22,743 thousand at December 31, 2011, and are made up of cash, negotiable instruments and demand deposits or short-term deposits with banks, which are actually available and readily usable.

At December 31, 2011, financial liabilities amounted to Euro 14,049 thousand and mainly comprised the partial use of the medium/long-term credit line agreed with the Banca Nazionale del Lavoro for the financing of the investment in the techno-logistics platform to the tune of Euro 12,355 (of which Euro 1,677 thousand is current). The remaining financial liabilities refer to finance leases with BNP Paribas Lease Group totalling Euro 1,463 thousand (of which Euro 696 thousand is current) to finance investments in technology, and the residual subsidised loan provided by Simest (Società Italiana per le Imprese all'Estero) of Euro 231 thousand (of which Euro 154 thousand is current).

Other financial liabilities include the fair value of transactions in derivatives (accounted for in accordance with IAS 39 using the cash flow hedge method) set up to hedge the interest rate risk in relation to the financing in place and the currency risk mainly from sales in US Dollars and Japanese Yen.

Other current financial assets at December 31, 2011 include Euro 5,466 thousand for financial receivables due to the Group from "acquirers" who manage authorisation for cards belonging to national/international credit or debit card companies used for online sales, and logistics operators who are asked for cash for payments on delivery. These items were considered to be financial in nature at December 31, 2011.

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

The following table provides a reconciliation of the Parent's equity and profit for the year with the same consolidated figures pertaining to the Group for 2010 and 2011.

	Dec. 31, 2011		Dec. 31, 2010	
Thousand Euro	Profit	Equity	Profit	Equity
Parent's figures	**8,059**	**75,126**	**6,059**	**63,861**
Consolidation adjustments				
Difference between carrying amount and proportional share of equity of subsidiaries and associates	2,120	7,865	3,066	5,091
Elimination of intra-group profits	(326)	(794)	(15)	(466)
Tax impact on unrealised intra-group profits	147	357	7	211
Total consolidation adjustments	**1,941**	**7,428**	**3,058**	**4,836**
Equity and profit pertaining to the Group	**10,000**	**82,554**	**9,117**	**69,697**

Information on Significant non-EU Companies

YOOX S.p.A. has acknowledged the revision to CONSOB Regulations concerning markets, which was adopted in Resolution No. 16191 of October 29, 2007 and subsequent revisions concerning the listing of non-European parents.
In this regard, since YOOX S.p.A. directly or indirectly controls five significant companies established and governed by laws of countries not belonging to the European Union ("Significant Non-EU Companies"), it has planned and taken the measures necessary to ensure full compliance with these regulations.
In particular, it should be noted that:

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

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

Other information

The Parent owns treasury shares, aimed at creating the provision of shares necessary for servicing the 2009-2014 Incentive Plan for employees of the Parent and its subsidiaries.
The subsidiaries do not hold YOOX S.p.A. shares. The Parent does not have any ultimate parent company.

Relations between the Group companies can be summarised as follows:

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

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

Relations among the Group companies or with the latter and related parties cannot be defined as either atypical or unusual, as they come under the normal course of the Group's business and take place in normal market conditions and in the interest of the actual Group. In general, there were no atypical or unusual transactions. For more details, refer to the consolidated financial statements at December 31, 2011.
These transactions were carried out under normal market conditions, i.e., under the same conditions that would apply between two independent parties.
All receivables, payables and related costs and revenue incurred between Group companies are reported in detail in the consolidated financial statements at December 31, 2011.

For trade transactions between Group companies and parties included among shareholders and/or directors, refer to the consolidated financial statements at December 31, 2011.

For the economic impact of Group transactions with related parties, refer to the consolidated financial statements at December 31, 2011.

YOOX S.p.A.

YOOX S.p.A. reclassified income statement

YOOX S.p.A. reclassified income statement for 2011:

Thousand Euro	2011	2010	Change	
Net revenue	249,201	183,377	65,824	35.9%
Cost of goods sold	(167,935)	(123,055)	(44,881)	36.5%
Gross profit	**81,266**	**60,322**	**20,944**	**34.7%**
% of net revenue	32.6%	32.9%		
Fulfilment costs	(24,446)	(18,258)	(6,189)	33.9%
Sales and marketing costs	(19,150)	(15,801)	(3,349)	21.2%
EBITDA Pre Corporate Costs	**37,670**	**26,264**	**11,406**	**43.4%**
% of net revenue	15.1%	14.3%		
General & Administrative expenses	(16,546)	(12,158)	(4,388)	36.1%
Other income and expenses	(185)	(382)	197	-51.6%
EBITDA	**20,938**	**13,723**	**7,215**	**52.6%**
% of net revenue	8.4%	7.5%		
Depreciation and amortisation	(7,558)	(3,701)	(3,857)	>100%
Non-recurring expenses -		- -	-	
Operating profit	**13,381**	**10,022**	**3,358**	**33.5%**
% of net revenue	5.4%	5.5%		
Financial income	622	866	(244)	-28.2%
Financial expenses	(1,018)	(949)	(69)	7.3%
Profit before tax	**12,984**	**9,939**	**3,045**	**30.6%**
% of net revenue	5.2%	5.4%		
Taxes	(4,925)	(3,880)	(1,045)	26.9%
Profit for the year	**8,059**	**6,059**	**2,000**	**33.0%**
% of net revenue	3.2%	3.3%		
EBITDA excluding Incentive Plans	**25,105**	**17,366**	**7,739**	**44.6%**
% of net revenue	10.1%	9.5%		

Parent's revenue, net of returns and customer discounts for 2011, was Euro 249,201 thousand, an increase of 35.9% on the previous year. This revenue includes amounts relating to the Parent's supply of products to subsidiaries earmarked for sales on the North American, Japanese, Asia Pacific and Chinese Online Stores.
EBITDA totalled Euro 20,938 thousand, representing 8.4% of revenue.
Profit for the year was Euro 8,059 thousand, an increase compared to the 2010 figure of Euro 6,059 thousand.

YOOX S.p.A. investments

In 2011, YOOX S.p.A. made investments totalling Euro 23,429 thousand. Since nearly all the Group's investments were made by the Parent YOOX S.p.A., see the Investments section for additional information.

Summary financial position of YOOX S.p.A.

YOOX S.p.A. reclassified statement of financial position as at December 31, 2011:

Thousand Euro	Balance as at Dec. 31, 2011	Balance as at Dec. 31, 2010	% Change
Net working capital	39,046	29,006	34.6%
Non-current assets	36,373	20,014	81.7%
Non-current liabilities (excluding financial liabilities)	(296)	(393)	-24.7%
Net invested capital	**75,123**	**48,627**	**54.5%**
Equity	75,126	63,861	17.6%
Net debt / (Net financial position)	(3)	(15,233)	-100.0%
Total sources of financing	**75,123**	**48,627**	**54.5%**

YOOX S.p.A. reclassified statement of cash flows for 2011:

Thousand Euro	2011	2010	% Change
Cash flow generated by (used in) operating activities	10,255	(2,653)	>100%
Cash flow generated by (used in) investing activities	(11,399)	(12,304)	-7.4%
Sub-total	**(1,144)**	**(14,956)**	**-92.3%**
Cash flow generated by (used in) financing activities	(2,449)	1,211	>100%
Total cash flow generated during the year	**(3,593)**	**(13,745)**	**-73.9%**

The net financial position of the Parent at December 31, 2011 was positive to the tune of Euro 3 thousand, compared with Euro 15,233 thousand at December 31, 2010.
As already indicated, in accordance with the Group's organisational structure, treasury operations are centralised at the Parent YOOX S.p.A. which manages all lines of credit provided to the Group.
Cash and cash equivalents totalled Euro 13,002 thousand as of December 31, 2011, a significant increase on the figure at December 31, 2010, and are made up of cash, negotiable instruments and demand deposits or short-term deposits with banks, which are actually available and readily usable. For details on financing activities, see the section on the Group's debt/net financial position.

The cash flow used by investing activities includes both the Share Capital injection equal to Euro 91 thousand in the new YOOX Asia Limited company with registered offices in Hong Kong, as a result of its establishment which took place in the second quarter of 2011, and to the increase in share capital of the related company Mishang Trading (Shanghai) Co. Ltd with offices in Shanghai equal to Euro 1,000 thousand. For more details, refer to the Group's consolidated statement of financial position and the notes to the 2011 separate financial statements.

For more details, refer to the Group's consolidated statement of financial position and the notes to the 2011 separate financial statements.

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

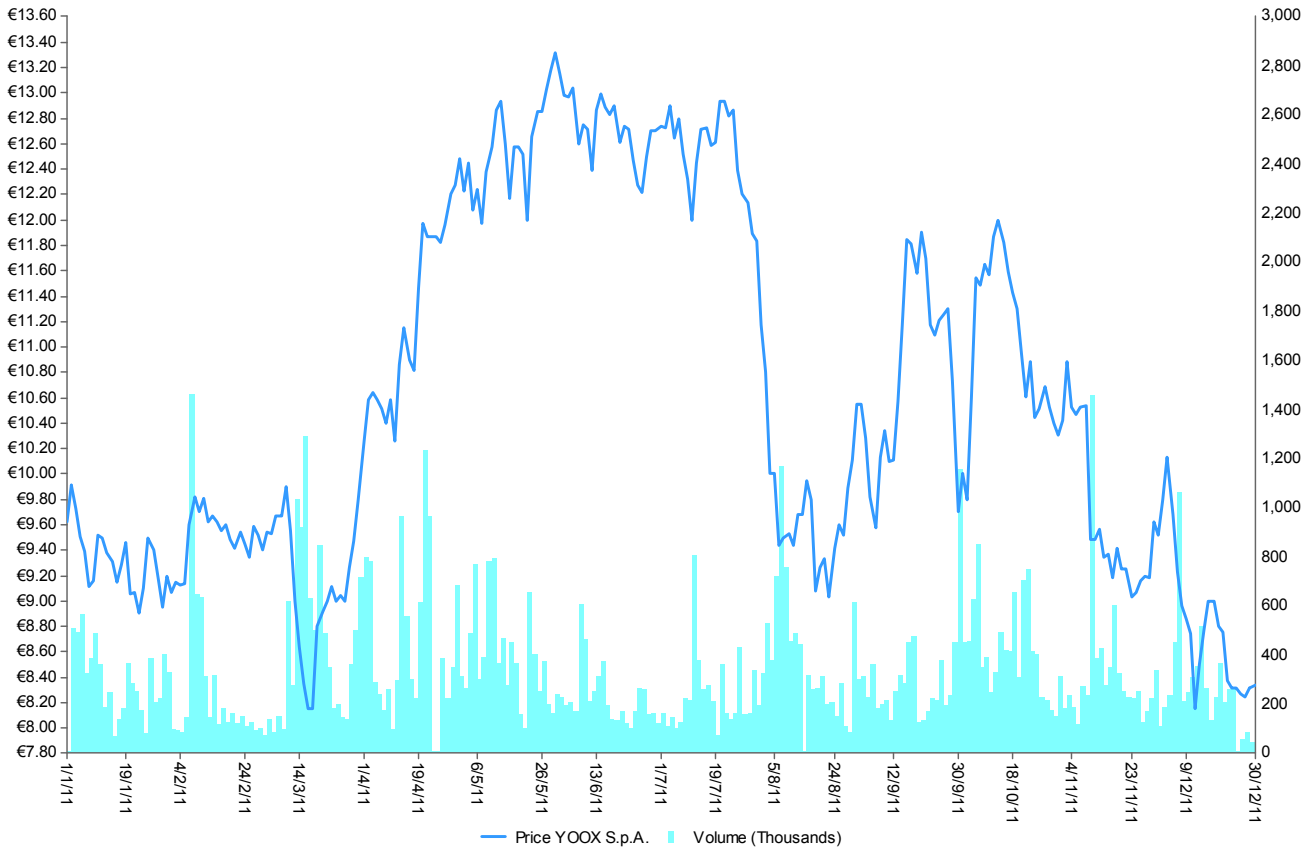
INFORMATION FOR INVESTORS

The Global Offering of shares of YOOX S.p.A. (ISIN no. IT0003540470) was successfully completed in December 2009. The Company's shares have been listed on the STAR segment of Borsa Italiana since December 3, 2009.

From September 20, 2010, the YOOX stock has been part of the FTSE Italia Mid Cap index, comprising the foremost 60 shares for capitalisation and liquidity, outside of the FTSE MIB index.

At December 30, 2011, the last day of trading of the year, the YOOX stock closed at Euro 8.3, corresponding to a market capitalisation of Euro 442.6 million.
Between the time of the listing and December 30, 2011, the YOOX share price grew by 94.0% over the flotation price (Euro 4.3), while in the twelve months to December 30, 2011, the stock suffered a decrease of 13.3% over its closing price at December 30, 2010 (the last day of trading in 2010).

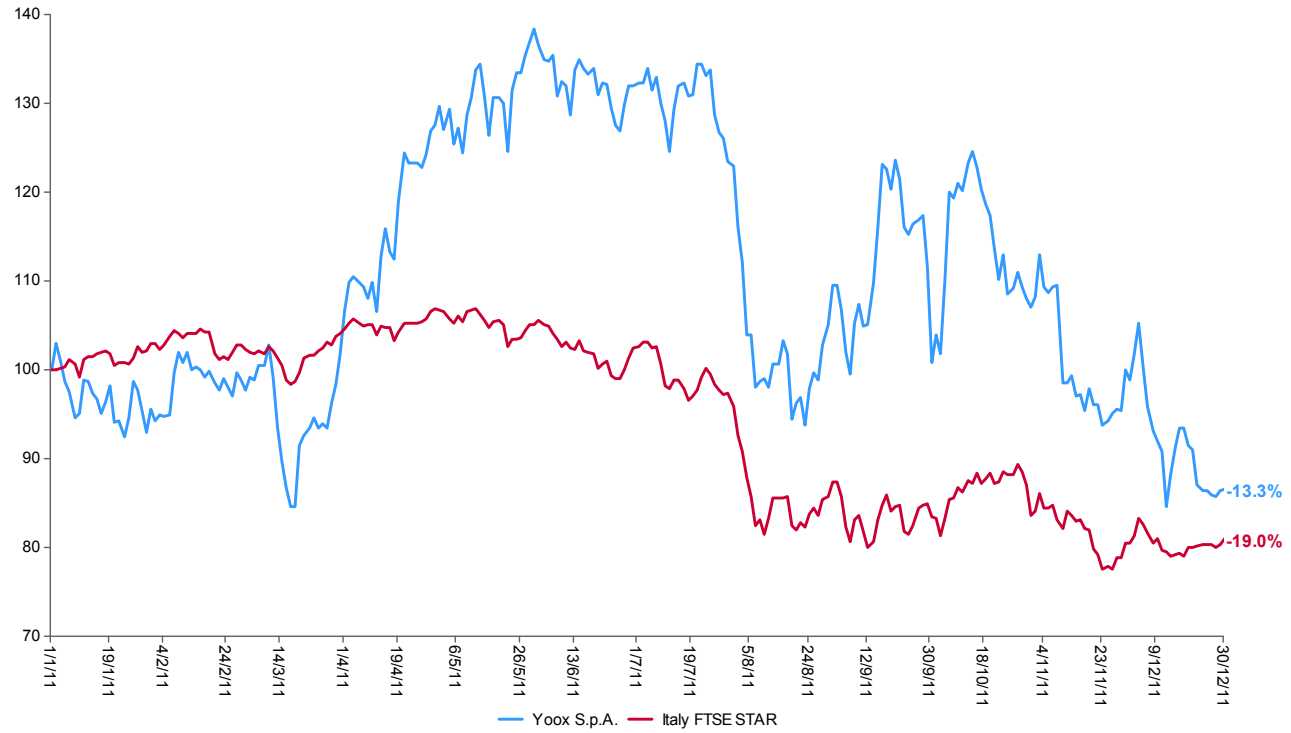
YOOX stock performance in 2011



Source: Factset

The performance of the YOOX stock during the reference period was around 5.7% higher than the FTSE Italy STAR index which recorded a fall of 19.0%.

Performance of YOOX stock and FTSE Italy STAR index in 2011



Source: Factset

The table below summarises key stock and stock exchange data for 2011.

Stock and stock exchange data	2011
Closing price at December 30, 2011 (Euro)	8.340
Maximum 2011 closing price (Euro) – May 31, 2011	13.320
Minimum 2011 closing price (Euro) – March 16, 2011	8.150
Market capitalisation at December 30, 2011 (Euro million)	442.638

Source: Borsa Italiana

Stock analyst coverage

Stock analyst coverage at March 5, 2012 includes 12 financial analysts. In addition to the global coordinators for the IPO, Goldman Sachs International and Mediobanca, the stock analyst coverage of YOOX stock includes Equita, Intermonte, Gruppo24Ore, Bank of America, Merrill Lynch, Centrobanca, Deutsche Bank, as well as Citi, Whitman Howard, Cheuvreux and Singer Capital Markets, who launched their coverage during 2011.

Shareholding structure

At December 31, 2011, the share capital totalled Euro 530,741.12, corresponding to a total of 53,074,112 shares with no par value pursuant to Article 2346 of the Italian Civil Code.

At December 31, 2011, shareholders owning more than 2% of ordinary shares, as specified by CONSOB regulations, were as follows:

Shareholders	Dec. 31, 2011
Balderton Capital I L.P.	11.061%
Red Circle S.r.l. Unipersonale	6.392%
Federated Equity Management Company of Pennsylvania	5.758%
Caledonia (Private) Investments Pty Limited	5.097%
JP Morgan Asset Management Limited	4.649%
Federico Marchetti	4.544%
Baillie Gifford & Co.	3.632%
Wasatch Advisors Inc.	2.892%
Aviva Investors Global Services Limited	2.429%
Capital Research and Management Company	2.120%
OppenheimerFunds, Inc.	2.118%
Norges Bank	2.020%
Red Circle Investments S.r.l.	2.014%

Source: Shareholder Register at December 31, 2011

Investor Relations

The Group places a particular emphasis on developing its relationships with analysts, shareholders and institutional investors.
During the year, the Group's activities were divided between participation in large conferences and the organisation of numerous road shows in some of the main financial centres in Europe and the United States.
Financial communication since the listing has taken place in accordance with the rules stipulated by Borsa Italiana on price-sensitive press releases, in keeping with the Group's wish to provide timely, transparent information to support its relations with the financial community.

RISK FACTORS

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

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

In accordance with the requirements of IFRS 7, the consolidated financial statements at December 31, 2011 include an analysis of the nature and extent of the risks associated with financial instruments to which the Group is exposed, as well as the methodologies used to manage these risks. Below is a summary of such financial risks. Please see the notes to the financial statements for further information.

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

- credit risk with trade counterparties.

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

INFORMATION CONCERNING MEASURES TO PROTECT PRIVACY

In 2011, privacy-related/data security activities focused on the following issues:

- activation of the Security Training Program in application development teams;
- appointment of an Information Security figure to the staff with a technical-organisational role;
- activation of an initial security hardening range of activities to develop mono-brand solutions with a view to managing myaccount and fast-checkout;
- activation and automation of a new internal security test model connected to the launch of new Online Stores alongside the existing vulnerability test structure.

PERSONAL DATA PROTECTION CODE

The requirements set out by the data protection document on security have been implemented, in accordance with Annex B of Legislative Decree 196/03 “Personal data protection code”, which establishes technical specifications regarding the processing of sensitive data by electronic means.

TAX MATTERS

The Group has incurred a lower tax burden in absolute terms compared with the situation at December 31, 2011. Current taxes have decreased from Euro 7,817 thousand to Euro 5,594 thousand.
IRAP taxes rose 15% for the Parent from Euro 1,107 thousand at December 31, 2010 to Euro 1,275 thousand at December 31, 2011. IRES taxes for the Parent at December 31, 2011 amounted to Euro 3,035 thousand.
Taxes for Group overseas companies for the year to December 31, 2011 amounted to approximately Euro 1,284 thousand.

The Group also recognised deferred tax assets totalling Euro 3,833 thousand and deferred tax liabilities of Euro 126 thousand. Deferred tax assets of Euro 4,635 thousand and deferred tax liabilities of Euro 72 thousand that were recognised in 2010 were also reversed.

The amount in the income statement does not include the Euro 269 thousand of deferred tax assets for the share premium reserve, in compliance with the provisions of IAS 32. The deferred tax assets reversed include deferred tax assets directly against the share premium reserve of Euro 537 thousand set aside in 2010.

LEGAL MATTERS

In 2011, the Group has signed, among other things:

- nine major e-commerce contracts covering the set-up and management of virtual stores for the sale of clothing and fashion accessories, as well as jewellery, some of which are already operational, and others will be operational in 2012;
- two extensions of the term of Online Stores already operational;

in addition to extension contracts in new markets and integration contracts for Online Stores already operating.

At December 31, 2011 there are no changes since December 31, 2010 in the Company’s legal disputes either as plaintiff or defendant. The legal dispute pending at December 31, 2011 where the Company is a defendant relates to two labour lawsuits at the Court of Bologna, brought against YOOX by former employees. On the prosecution side, at December 31, 2011 there was a civil case brought by YOOX against a former tax

representative for Greece (before the competent Greek court) aimed at recovering amounts illegally withheld by the above party.

HUMAN RESOURCES

The YOOX Group recognises the essential importance of human resources in the belief that the main factor of success in any business is made up of the professional contribution of the persons working there in a framework of mutual trust and loyalty.
It is aware that meeting corporate growth and business development goals is dependent upon the enhancement of human resources, the development of the capabilities and skills of individual employees and the retention of key employees.

Values

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

Headcount

At December 31, 2011, the Group employed 469 people, an increase of 26% compared with December 31, 2010.
The table below shows a breakdown of the headcount at December 31, 2011 compared with that of December 31, 2010[18].

No.	2011	2010	Change
Managers	24	16	8
Junior managers	34	30	4
Employees and trainees	362	300	62
Abroad	49	26	23
Total headcount	**469**	**372**	**97**

Around 90% of the headcount is employees who are located in the three Italian offices, with the remaining 10% being located in Group offices abroad. The working environment is dynamic, young and competitive with an average age of 32 at December 31, 2011.

On April 6, 2011, an agreement was signed to renew the Collective Bargaining Agreement which expired on December 31, 2010.

Gender equality and working environment

The management of YOOX Group working relations is aimed at guaranteeing equal opportunities and encouraging the professional development of all its resources, whilst respecting the rights of all workers.
All the Group's policies encourage a sense of belonging and reward professionalism, integrity and willingness to take responsibility, in keeping with the principles of liberty, human dignity and respect for diversity. It rejects any form of discrimination based on age, gender, sexual orientation, race, language, personal and social conditions, religious or political beliefs.
At December 31, 2011, the Group workforce confirmed the high percentage of women (56%) and their representation in managerial positions, in line with the strategy of valuing talent.
The company also values the inclination towards an international workforce with cultural diversity.

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

Assessment and development of capital

In 2011, approximately 300 employees were involved in the performance evaluation system, in other words the assignment and assessment of key skills and MBO (Management by Objective), relating to both qualitative and quantitative indicators.
The performance evaluation system is linked to company skills, as well as to KPIs associated with employees according to the role or organisational unit. The evaluation is linked to achieving goals that are agreed annually with managers and with expected skill levels for the role, and it has a fundamental value in the improvement process for individual and corporate performance and in the professional development of YOOX personnel.

Recruitment and Selection and Training

For 2011 too, recruitment and selection activities continue to be of vital importance for the company to ensure these levels of growth, with the Group strongly committed not only to searching for ideal candidates, but also to the effective use of company resources, both in Italy and abroad.
Over the course of the year the collaborations with the main Italian universities and colleges of higher education continued and numerous lectures were given at the most important universities, including MIP Business School in Milan and SDA Bocconi School of Management. An OCU (Organisational Check Up) project was launched with some students on the MBA course at MIP which will conclude with a presentation at the company in 2012.
2011 saw the conclusion of the second edition of the Masters in E-fashion conceived by the Group in conjunction with the Marangoni Institute of Milan, which has been committed to the training of professionals in the world of fashion and design for 75 years.

Against a background in which professional figures are constantly evolving, training has always played an important role in the Group, which in recent years, has offered many talented young people opportunities to develop cutting-edge professional skills.
During 2011, the company laid on various training courses, both in-house and externally, even managing to access public funding, with courses in English, for example. An *ad hoc* training course for teams of project managers was also provided, with the objective of giving professional members of the teams a technical edge.
The main in-house courses were in Digital Production, Privacy & Data Security, Health and Safety in the Workplace, and Organisational Model and Control courses which have been held pursuant to Legislative Decree 231/01. Special attention has also been devoted to the development and provision of modules for induction days, for welcoming new employees, which have become an integral part of the corporate makeup.

Health and safety

The Group considers the health and safety in the workplace of its employees to be of fundamental importance, in compliance with existing legislation.
To ensure this, the Group management, as well as having a Code of Ethics, continued in 2011 with the continuous improvement of the Health and Safety in the Workplace management system:

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

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 2011, the organisational structure was analysed and reviewed in order to better support the development of the business segments. All organisational changes are notified promptly and clearly, in compliance with the instructions in the “Information flows of the Supervisory Body and reporting” of the Organisation, Management and Control Model pursuant to Legislative Decree 231/01.

THE ENVIRONMENT

YOOX is committed to protecting the environment through the search for a balance between economic initiatives and indispensable environmental needs and, in doing so, it will continue to believe in and dedicate itself to the YOOXYGEN strategy of environmental responsibility, launched in 2009.

Through YOOXYGEN the Group continues to support Green Cross International, particularly in promoting the "Smart Water for Green Schools" project, which aims to institute systems for rainwater collection, ecological rehabilitation equipment and environmental awareness in schools located in cross-border water basins. Numerous eco-friendly initiatives were launched through YOOXYGEN in 2011, including:

- in February, EDUN LIVE collaborated with YOOXYGEN to produce a limited edition t-shirt designed by MORCHEEBA, and the partnership with Estethica was renewed with a show dedicated to ethical fashion with the British Fashion Council and the new 2011 Spring/Summer collections featuring the work of eco-sustainable designers: Lost of Property of London, Henrietta Ludgate, Goodone, MAXJENNY, Nina Dolcetti, Sonya Kashmiri and From Somewhere;
- in February, yoox.com collaborated with the British designer Vivienne Westwood, introducing three bags exclusively for the launch of the Westwood Ethical Fashion Africa Project, which are available in the YOOXYGEN section;
- on April 22, for World Earth Day, yoox.com introduced several new initiatives as part of the YOOXYGEN project, which celebrated its second birthday, including the FROM SOMEWHERE with SPEEDO eco-clothing capsule collection, online exclusively at yoox.com and produced using materials and fabrics leftover from the "Speedo LZR Racer" costume;
- in September, a series of fashion brands were offered in the YOOXYGEN area, featuring a strong eco-sustainable impact, in collaboration with the British Fashion Council for the Estethica project;
- in October, yoox.com took part in the creation of the Green Up project, an initiative organised by UNEP (United Nations Environmental Program): the proceeds from the "Tree-Shirt" designed by Vivienne Westwood and available exclusively at yoox.com went to the reforestation project;
- in June, Vivienne Westwood launched a new collection of bags and accessories for Fall/Winter, for both men and women on sale exclusively online at yoox.com. The project was followed by an important event in Florence in the magnificent setting of the Corsini Garden as part of Pitti Uomo 80, involving the photographer Jurgen Teller and a large number of celebrities, socialites and journalists;
- in November, YOOXYGEN launched an Eco-Party Dress designed by the socialite Livia Firth @ Eco Age.Com and produced by the Rinascere cooperative. The dress, available exclusively at yoox.com, was created using fabric discarded during the production of other garments.

Commitment to the environment goes on, with the pursuit of the same values as in 2011, namely:

- to manage its activities in such a way as to minimise its environmental impact;
- to take environmental risks into consideration when making corporate decisions;
- to improve internal eco-efficiency;
- to raise employees' awareness in order to strengthen the culture of sustainability;
- to promote the development and dissemination of eco-friendly projects and products;
- to raise customers' awareness regarding the choice of eco-friendly products.

As mentioned previously, the automation of the techno-logistics platform has been developed from an eco-sustainable viewpoint, in line with Group policies. All the containers used in the plant are made from recyclable material and are 100% recyclable. The technology used allows a considerable energy saving compared with the traditional process. In addition, since November 2011, yoox.com deliveries throughout the world have been made using the ecobox, the new packaging made entirely from 100% recycled and recyclable raw materials, respecting environmental, social and economic sustainability.

CORPORATE GOVERNANCE

The YOOX S.p.A. Parent corporate governance model is described in detail in the Report on corporate governance and shareholding structure at December 31, 2011, which should be referred to.
The significant corporate governance events that have taken place at the date of the document are listed below.

Allocation of shares following the exercise of stock options

The table below contains the allocations in 2011 of YOOX S.p.A. ordinary shares following the exercising of stock options of the Stock Option Plans and the strike prices.

Stock Option Plans	Allocation date	Strike price (in Euro)					Total Options	Total post-split shares
		305.24	277.68	106.5	15.91	59.17		
2007 - 2012	Jan. 17, 2011					2,000	2,000	104,000
2001 - 2003	Jan. 28, 2011			4,750	250		5,000	260,000
2003 - 2005	Jan. 28, 2011			500			500	26,000
2006 - 2008	Jan. 28, 2011					4,283	4,283	222,716
Sub-total				*5,250*	*250*	*4,283*	*9,783*	*508,716*
2007 - 2012	Feb. 14, 2011					2,000	2,000	104,000
2007 - 2012	March 14, 2011					2,666	2,666	138,632
2007 - 2012	April 14, 2011					1,228	1,228	63,856
2007 - 2012	May 13, 2011			1,800			1,800	93,600
2001 - 2003	July 14, 2011			1,250			1,250	65,000
2006 - 2008	July 14, 2011					2,315	2,315	120,380
2007 - 2012	July 14, 2011			200			200	10,400
Sub-total				*1,450*		*2,315*	*3,765*	*195,780*
2009 - 2014	Aug. 11, 2011		200				200	10,400
2007 - 2012	Oct. 14, 2011			1,400			1,400	72,800
2009 - 2014	Oct. 14, 2011	161					161	8,372
Sub-total		*161*		*1,400*			*1,561*	*81,172*
2007 - 2012	Nov. 14, 2011			100			100	5,200
2007 - 2012	Dec. 14, 2011			100			100	5,200
Total		**161**	**200**	**10,100**	**250**	**14,492**	**25,203**	**1,310,556**

Given the above, prior to December 31, 2011, the share capital issued by YOOX S.p.A. was Euro 530,741.12, divided into 53,074,112 ordinary shares with no indication of par value.

As indicated in the events after the reporting year, YOOX S.p.A. ordinary shares were allocated following the exercising of options relating to the Stock Option Plans at the strike prices given in the table below:

Stock Option Plans	Allocation date	Strike price (in Euro)			Total Stock options	Total post-split shares
		46.48	59.17	106.5		
2001 - 2003	Jan. 26, 2012	1,155			1,155	60,060
2003 - 2005	Jan. 26, 2012	10,457			10,457	543,764
2004 - 2006	Jan. 26, 2012	3,544			3,544	184,288
2006 - 2008	Jan. 26, 2012		4,842		4,842	251,784
2007 - 2012	Jan. 26, 2012		6,539		6,539	340,028
Sub-total		*15,156*	*11,381*	-	*26,537*	*1,379,924*
2001 - 2003	Feb. 7, 2012	298		750	1,048	54,496
2003 - 2005	Feb. 7, 2012	3,355			3,355	174,460
2004 - 2006	Feb. 7, 2012	4,912			4,912	255,424
2007 - 2012	Feb. 7, 2012		2,000	1,100	3,100	161,200
Sub-total		*8,565*	*2,000*	*1,850*	*12,415*	*645,580*
Total		**23,721**	**13,381**	**1,850**	**38,952**	**2,025,504**

Given the above, the new share capital issued by YOOX S.p.A. at the time of writing is Euro 550,996.16, divided into 55,099,616 ordinary shares with no indication of par value.

Stock option and share allocation relating to the YOOX S.p.A. 2009-2014 Company Incentive Stock Option Plan

On February 1, 2011, the condition precedent correlated to the granting, to one beneficiary, of 963 options valid for the subscription of 50,076 YOOX ordinary shares, relating to the YOOX S.p.A. 2009-2014 Stock Option Plan was verified.
The Company's Board of Directors later approved:

- on February 9, 2011, the granting to one beneficiary of 1,926 options valid for the subscription of 100,152 YOOX ordinary shares;
- on May 9, 2011, the granting to five beneficiaries of 4,338 options valid for the subscription of 225,576 YOOX ordinary shares;
- on September 20, 2011, the granting to two beneficiaries of 2,889 options valid for the subscription of 150,228 YOOX ordinary shares.

Also on May 9, 2011, the Board of Directors, under the scope of the YOOX S.p.A. 2009-2014 Company Incentive Plan, approved the granting of 53,721 YOOX ordinary shares, free of charge, to 35 employees, of which 6,517 later expired.

As indicated in the events after the reporting year, on February 8, 2012, the Board of Directors approved the granting on a two-year basis, to three beneficiaries, of 4,490 options valid for the subscription of 233,480 YOOX ordinary shares, relating to the YOOX S.p.A. 2009-2014 Stock Option Plan.

Treasury share purchase

In their meeting of May 5, 2011, the Shareholders approved and authorised 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. For more details, refer to the Press Release issued on that date which is available on the Company website www.yooxgroup.com, under the section "Investor Relations".

Under the scope of the treasury shares purchase programme to service the YOOX S.p.A. 2009-2014 Incentive Plan, the Company bought:

- in the period from August 5, 2011 to August 8, 2011, 60,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.594572 per share including commission, for a total value of Euro 575,674.30;
- on September 6, 2011, 5,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.5095 per share including commission, for a total value of Euro 47,547.50;
- on October 4, 2011, 27,331 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.500947 per share including commission, for a total value of Euro 259,670.39;
- on November 17, 2011, 7,669 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.276056 per share including commission, for a total value of Euro 71,138.08;

At December 31, 2011 the Company holds 162,000 treasury shares in its portfolio equal to 0.3052% of the share capital.

Board of Directors: Director appointment

On May 5, 2011, the Shareholders appointed Raffaello Napoleone as a Director on the proposal of the shareholder Essegi S.r.l. (he was previously co-opted to the Board on July 1, 2010).

Approval of the Separate Financial Statements at December 31, 2010

In their meeting of May 5, 2011 convened on second call, the Shareholders approved the separate financial statements at December 31, 2010, resolving to carry forward YOOX S.p.A.'s entire profit for the year.

Modifications to the Company Bylaws

On May 5, 2011, during their Extraordinary Meeting, the Shareholders approved several modifications to the Company Bylaws to comply with Legislative Decree 27/2010 (shareholders' rights) and Legislative Decree 146/2009 (public purchase or exchange offers).
The main modifications approved give the Board of Directors the right to: (i) call an ordinary and extraordinary Shareholders' Meeting in one sitting; (ii) call the Shareholders' Meeting to approve the financial statements within 180 days of the end of the financial year; and (iii) designate a representative for the Shareholders for each Shareholders' Meeting giving notice in each notice of convocation. The Board of Directors were also granted the right, recognised by Article 104, paragraph 1-*ter* of Legislative Decree 58/1998.
For more details, refer to the Press Release issued on that date which is available on the Company website www.yooxgroup.com, under the section "Investor Relations".

Remuneration Committee

The Committee met on February 1, March 9, May 9, September 16, October 17 and November 2, 2011, and voted in favour of the following proposals:

- proposal to exercise options of the 2007-2012 Stock Option Plan;
- proposal to award a bonus to the Chief Executive Officer for 2011;
- proposal to award extraordinary remuneration to the Chairman/Chief Executive Officer;
- remuneration proposal for 2011 for key managers;
- proposal to grant stock options (2009-2014 Stock Option Plan);
- proposal to reward employees under the 2009-2014 Company Incentive Plan;
- proposal of a new contract for the CEO.

Internal Control Committee

The Committee met on March 4, May 4, July 28 and November 8, 2011.

Approval and implementation of the 2011 Internal Audit Plan

In line with the activities carried out in previous financial years, and as a continuation thereof, with special reference to the subjects of compliance pursuant to Legislative Decree 231/01 and Law 262/05, the Internal Control Manager drafted the 2011 Internal Audit Plan which was presented and approved on March 3, 2011 by the Director in charge of supervising the internal control function, and on March 4, 2011 it was discussed with the Internal Control Committee. The Internal Control Manager implemented the planned activities following the time schedules and methods.
The continuity of the activities already carried out, those being carried out and those that will be necessary in the future, and will be promptly discussed, should be representative of the YOOX S.p.A. Internal Control System's suitability, effectiveness and efficiency.

EVENTS AFTER THE REPORTING YEAR

Allocation of shares following the exercise of stock options
On January 26 and February 7, 2012, YOOX S.p.A. ordinary shares were granted following the exercise of the options relating to the Stock Option Plans and at the strike prices described in the table below:

Stock Option Plans	Grant date	Strike price (in Euro)			Total Stock options	Total post-split shares
		46.48	59.17	106.5		
2001 - 2003	Jan. 26, 2012	1,155			1,155	60,060
2003 - 2005	Jan. 26, 2012	10,457			10,457	543,764
2004 - 2006	Jan. 26, 2012	3,544			3,544	184,288
2006 - 2008	Jan. 26, 2012		4,842		4,842	251,784
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Sub-total		*15,156*	*11,381*	-	*26,537*	*1,379,924*
2001 - 2003	Feb. 7, 2012	298		750	1,048	54,496
2003 - 2005	Feb. 7, 2012	3,355			3,355	174,460
2004 - 2006	Feb. 7, 2012	4,912			4,912	255,424
2007 - 2012	Feb. 7, 2012		2,000	1,100	3,100	161,200
Sub-total		*8,565*	*2,000*	*1,850*	*12,415*	*645,580*
Total		**23,721**	**13,381**	**1,850**	**38,952**	**2,025,504**

Given the above, the new share capital issued by YOOX S.p.A. at the time of writing is Euro 550,996.16, divided into 55,099,616 ordinary shares with no indication of par value.

Stock option granting relating to the YOOX S.p.A. 2009-2014 Stock Option Plan
On February 8, 2012, the Company's Board of Directors resolved to grant 4,490 options valid for the subscription of 233,480 YOOX ordinary shares in favour of three beneficiaries on a two-yearly basis.

Launch of the barbarabui.com Online Store
On February 16, 2012, the barbarabui.com Online Store was launched in Europe, the U.S. and Japan.

Extension of dsquared2.com to China
On March 5, 2012, the dsquared2.com Online Store was extended to China.

Appointment of Giuseppe Guillot as YOOX Group COO
In future years, the YOOX Group will continue to invest in the consolidation and innovation of its global multi-channel technological and logistics infrastructure in order to guarantee a pioneering solid platform, capable of adapting quickly to changing market scenarios and offering its business partners and end users an excellent service.
In this context, YOOX announces the appointment of a Chief Operating Officer ("COO") with responsibility for optimising and coordinating all operational and design activities, in a logistics and technological framework, and maximising the synergies that come from the joint management of both activities. This appointment pursues the ultimate aim of preserving and reinforcing one of the most important competitive advantages of the Group: the quality of the service offered. Giuseppe Guillot was promoted to the role of COO in the first quarter of 2012. Guillot, who has been with the YOOX Group since 2007, has previously held various positions both in the Operations and Technology functions, having taken on the role of Technology Director before this recent appointment.

Launch of shoescribe.com
In line with the Group's strategy of extending the in-season offer, YOOX Group is launching shoescribe.com, a new Multi-brand Online Store for women entirely dedicated to footwear. From today, March 7, shoescribe.com sits alongside yoox.com and thecorner.com in the Multi-brand business segment.
The Group's years of experience in e-commerce fashion has demonstrated that shoes are undisputed best sellers at global level; for this reason, the Group has decided to dedicate an online space exclusively to footwear.
shoescribe.com offers an original 360-degree shopping experience in the world of footwear, going from the editorial component, right through to the care of the shoes after purchase. The concept of the store is actually based on the combination of three key elements: e-commerce, exclusive services dedicated to shoes and editorial content.

The range consists of an original and very carefully chosen selection for the launch of over 100 brands, from big names to recherché brands including: Acne, Alexander Wang, Bally, Giambattista Valli, Marni, Marc Jacobs, Opening Ceremony, Proenza Schouler and Sergio Rossi, to which new ones will constantly be added.
shoescribe.com uses the Group's solid global platform to guarantee an excellent and unique service to all customers. For lovers of shoes, shoescribe.com has specifically introduced value-added services, including a system that organises their shoes in the wardrobe, available in each parcel, and a network of trusted shoemakers to whom they can send their shoes to be repaired. Furthermore, by taking out an annual subscription, "shoescribers" will be able to access more exclusive services, ranging from complimentary repairs of shoes they have purchased to free delivery throughout the year.

OUTLOOK

Based on the positive performance of the online retail market and the demand for luxury goods, it is reasonable to assume that the Group can look forward to an increase in revenue and improvement in profitability in 2012.
It is reasonable to expect a contribution to growth particularly from markets abroad, which represent an ever increasing share of total net revenue, and that the United States will once again be confirmed as the Group's leading market.
This growth will also be supported by both the Mono-brand business segment, with 30 Online Stores operating at the end of 2011 and new ones planned for the year in progress, and the Multi-brand business segment, also courtesy of the launch of shoescribe.com and the new yoox.com, in China, expected in the fourth quarter of 2012.
The policy of investments linked to the innovation and consolidation of the Group's multi-channel technology and automated global techno-logistics platform will continue, with the aim of maintaining and strengthening one of the Group's most significant competitive advantages: the excellent service offered to trading partners and end customers.
Lastly, internal initiatives aimed at improving efficiency and carefully managing costs will also continue.

BOARD OF DIRECTORS' PROPOSED RESOLUTION TO SHAREHOLDERS

Dear Shareholders,

We would like to make following proposals to you:

- to approve the separate financial statements of YOOX S.p.A. at December 31, 2011, which show a profit for the year of Euro 8,058,981.25 together with the Directors' Report;
- to carry forward the entire amount of profit for the year of YOOX S.p.A totalling Euro 8,058,981.25;
- to acknowledge that the YOOX Group's consolidated financial statements at December 31, 2011 show a profit of Euro 10,000,397.07.

Zola Predosa (BO), March 7, 2012
For the Board of Directors

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

ANNEXES TO THE DIRECTORS' REPORT

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

Impact of Incentive Plans in the fourth quarter of 2011:

Thousand Euro	Q4 2011	% Total	Q4 2010	% Total
Fulfilment costs	**(7,243)**		**(6,077)**	
of which Incentive Plans	*(64)*	*6.3%*	*(50)*	*4.5%*
Sales and marketing costs	**(9,421)**		**(6,896)**	
of which Incentive Plans	*(325)*	*31.9%*	*(399)*	*36.4%*
General & Administrative expenses	**(5,698)**		**(5,322)**	
of which Incentive Plans	*(628)*	*61.8%*	*(648)*	*59.0%*
Incentive Plans total	**(1,017)**	***100.0%***	**(1,097)**	***100.0%***

Impact of Incentive Plans in 2011:

Thousand Euro	2011	% Total	2010	% Total
Fulfilment costs	**(29,580)**		**(21,539)**	
of which Incentive Plans	*(243)*	*5.8%*	*(152)*	*4.0%*
Sales and marketing costs	**(31,549)**		**(24,691)**	
of which Incentive Plans	*(1,370)*	*32.9%*	*(1,163)*	*31.1%*
General & Administrative expenses	**(22,601)**		**(18,945)**	
of which Incentive Plans	*(2,554)*	*61.3%*	*(2,429)*	*64.9%*
Incentive Plans total	**(4,167)**	***100.0%***	**(3,744)**	***100.0%***

CONSOLIDATED FINANCIAL STATEMENTS
YOOX GROUP

TABLE OF CONTENTS

Consolidated financial statements at December 31, 2011 prepared in accordance with International Financial Reporting Standards (IFRS) 89
Consolidated income statement 89
Consolidated statement of comprehensive income 90
Consolidated statement of financial position 91
Statement of changes in consolidated equity at December 31, 2011 and December 31, 2010 92
Consolidated statement of cash flows 93
Notes to the consolidated financial statements as at and for the year ended December 31, 2011 94
Annexes 156

CONSOLIDATED FINANCIAL STATEMENTS YOOX GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (1)

Consolidated income statement

Thousand Euro:	Notes	2011	2010
Net revenue from sales	9.1	291,188	214,288
Cost of goods sold	9.2	(183,019)	(129,864)
Fulfilment costs	9.3	(31,738)	(22,048)
Sales and marketing costs	9.4	(31,580)	(24,723)
General expenses	9.5	(28,070)	(22,148)
Other income and expenses	9.6	(357)	(497)
Operating profit	**9.7**	**16,423**	**15,007**
Financial income	9.8	1,237	986
Financial expenses	9.8	(1,209)	(1,053)
Profit before tax		**16,450**	**14,941**
Taxes	9.9	(6,450)	(5,824)
Consolidated profit for the year		**10,000**	**9,117**
of which:			
Attributable to owners of the Parent		10,000	9,117
Attributable to non-controlling interests		-	-
Basic earnings per share	9.10	0.19	0.18
Diluted earnings per share	9.10	0.18	0.17

(1) The financial statements, which were prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006, are annexed to the notes to consolidated financial statements at December 31, 2011.

Consolidated statement of comprehensive income

Thousand Euro:	Notes	2011	2010
Consolidated profit for the year		10,000	9,117
Other components of comprehensive income, net of tax effects			
Foreign currency translation differences for foreign operations	9.19	650	340
Profit/(loss) from cash flow hedges	9.19	(883)	-
Total other comprehensive income/(loss)		(233)	340
Total consolidated comprehensive income for the year		9,767	9,457
of which:			
attributable to owners of the Parent		9,767	9,457
attributable to non-controlling interests		-	-

Consolidated statement of financial position

Thousand Euro:	Notes	Dec. 31, 2011	Dec. 31, 2010
Non-current assets			
Property, plant and equipment	9.11	19,315	8,395
Intangible assets with finite useful life	9.12	12,186	7,129
Deferred tax assets	9.13	4,799	5,456
Other non-current financial assets	9.14	610	507
Total non-current assets		**36,911**	**21,487**
Current assets			
Inventories	9.15	101,862	76,311
Trade receivables	9.16	8,245	9,384
Other current assets	9.17	4,694	7,318
Cash and cash equivalents	9.18	22,743	24,188
Current financial assets	9.18	5,466	5,082
Total current assets		**143,010**	**122,283**
Total assets		**179,921**	**143,770**
Equity			
Share capital		531	518
Reserves		68,271	64,426
Retained earnings/(losses carried forward)		3,752	(5,364)
Consolidated profit for the year		10,000	9,117
Equity attributable to owners of the Parent	9.19 - 9.20	82,554	68,697
Equity attributable to non-controlling interests		-	-
Total consolidated equity		**82,554**	**68,697**
Non-current liabilities			
Medium-long term financial liabilities	9.21	11,522	846
Employee benefits	9.22	213	213
Provisions for risks and charges	9.24	-	116
Deferred tax liabilities	9.23	83	69
Total non-current liabilities		**11,819**	**1,244**
Bank loans and other current financial liabilities	9.21	2,527	5,600
Provisions for risks and charges	9.24	199	877
Trade payables	9.25	62,794	48,943
Tax liabilities	9.26	310	2,441
Other payables	9.27	19,719	15,968
Total current liabilities		**85,548**	**73,829**
Total consolidated equity and liabilities		**179,921**	**143,770**

Statement of changes in consolidated equity at December 31, 2011 and December 31, 2010- Note 9.19

Thousand Euro	*Share capital*	*Share premium reserve and other equity-related reserves*	*Legal reserve*	*Treasury shares purchase reserve*	*Hedging reserve*	*Stock option reserve*	*Translation reserve*	*Retained earnings (losses carried forward)*	*Consolidated profit (loss)*	*Equity attributable to non-controlling interests*	***Total***
December 31, 2009	**504**	**54,542**	**193**	**-**	**-**	**4,229**	**(27)**	**(9,462)**	**4,098**	**-**	**54,077**
Share capital increase	14	1,783	-	-	-	-	-	-	-	-	**1,797**
Increases in reserves for share-based payments	-	-	-	-	-	3,728	-	-	-	-	**3,728**
Total consolidated comprehensive income	-	-	-	-	-	-	340	-	9,117	-	**9,457**
Other changes	-	-	-	(362)	-	-	-	4,098	(4,098)	-	**(362)**
December 31, 2010	**518**	**56,325**	**193**	**(362)**	**-**	**7,957**	**313**	**(5,364)**	**9,117**	**-**	**68,697**
Share capital increases	13	1,003	-	-	-	-	-	-	-	-	**1,016**
Increases in reserves for share-based payments	-	-	-	-	-	4,028	-	-	-	-	**4,028**
Total consolidated comprehensive income	-	-	-	-	(883)	-	650	-	10,000	-	**9,767**
Other changes	-	-	-	(953)	-	-	-	9,117	(9,117)	-	**(953)**
December 31, 2011	**531**	**57,328**	**193**	**(1,315)**	**(883)**	**11,985**	**963**	**3,752**	**10,000**	**-**	**82,554**

Consolidated statement of cash flows

Thousand Euro:	Notes	2011	2010
Consolidated profit for the year	9.28	10,000	9,117
Adjustments for:			
Taxes for the year	9.28	6,450	5,824
Financial expenses	9.29	1,209	1,053
Financial income	9.29	(1,237)	(986)
Depreciation, amortisation and impairment losses	9.29	7,659	3,744
Fair value measurement of stock options	9.29	4,167	3,744
Unrealised effect of changes in foreign exchange rates	9.29	650	340
(Gains)/losses on sale of non-current assets	9.29	(15)	-
Employee benefits	9.29	11	33
Provisions for risks and charges	9.29	203	549
Payment of employee benefits	9.29	(10)	(39)
Use of provisions for risks and charges	9.29	(997)	(404)
Changes in inventories	9.30	(25,551)	(29,257)
Changes in trade receivables	9.30	1,140	(2,641)
Changes in trade payables	9.30	13,600	21,354
Changes in other current assets and liabilities	9.31	5,491	(3,678)
Cash flow from operating activities		**22,771**	**8,753**
Income tax paid	9.28	(7,910)	(9,180)
Interest and other financial expenses paid	9.29	(1,209)	(1,053)
Interest and other financial income received	9.29	1,237	986
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**14,889**	**(494)**
Investing activities			
Acquisition of property, plant and equipment	9.32	(1,471)	(5,374)
Acquisition of intangible assets	9.33	(9,114)	(6,065)
Acquisition of other non-current financial assets	9.34	(103)	(98)
NET CASH USED IN INVESTING ACTIVITIES		**(10,688)**	**(11,537)**
Financing activities			
New short-term liabilities	9.37	-	5,028
Repayment of short-term liabilities	9.37	(5,030)	-
New medium-long term financial liabilities	9.36	(155)	-
Repayment of medium-long term financial liabilities	9.36	-	(155)
Treasury share purchase		(953)	(362)
Increase in share capital and share premium reserve	9.35	1,016	1,797
Investments in financial assets	9.18	(384)	(5,082)
Variation through difference between cash effect and action of incentive plans	9.20	(140)	(12)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**(5,646)**	**1,212**
TOTAL CASH FLOW FOR THE YEAR		**(1,445)**	**(10,820)**
Cash and cash equivalents at the beginning of the year	9.18	24,188	35,007
Cash and cash equivalents at the end of the year	9.18	22,743	24,188
TOTAL CASH FLOW FOR THE YEAR		**(1,445)**	**(10,820)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2011

1. Group structure and activities

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

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

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

2. Approval of the consolidated financial statements at December 31, 2011

The consolidated financial statements at December 31, 2011 were approved by the Board of Directors on March 7, 2012. They have been audited and will be presented to the Shareholders.

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

The YOOX Group prepared the consolidated financial statements at December 31, 2011 in accordance with the IFRS issued by the International Accounting Standard Board (IASB) and endorsed by the European Union. The IFRS also include all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC). The consolidated financial statements at December 31, 2011 were also drawn up in accordance with rules adopted by CONSOB on financial statements pursuant to Article 9 of Legislative Decree 38/2005 and other CONSOB rules and regulations concerning financial statements. The consolidated financial statements at December 31, 2011 were compared with the consolidated financial statements for the previous year and are made up of the income statement, the statement of comprehensive income, the statement of financial position and the statement of changes in equity, as well as the notes thereto.

Consolidated financial statements

In accordance with CONSOB Resolution 15519 of July 27, 2006 and Communication DEM6064293 of July 28, 2006 relating to financial statements, specific income statements, statements of financial position and statements of cash flows have been included showing significant relationships with related parties, in order to improve readability.

As indicated above, the consolidated financial statements at December 31, 2011 were drawn up in accordance with the IFRS endorsed by the European Union, and comprise the following:

Income statement

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

Statement of comprehensive income

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

Statement of financial position

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

Statement of changes in equity

The statement of changes in equity reports the profit or loss for the year, including each item of revenue or cost, income or expenses which, as required by IFRS and their interpretations, is recognised directly in equity, and the total of these items; total comprehensive income or expense 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 policies 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 a reconciliation between the carrying amount of each share class, the share premium reserve and other reserves at the start and end of the year, showing each change separately.

Statement of cash flows

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

4. Accounting policies and measurement criteria

4.1 Basis of preparation

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

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

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

The accounting policies adopted for the preparation of the consolidated financial statements at December 31, 2011 were applied in the same way for all periods presented for comparison.

4.2 Use of estimates

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

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

Below is a summary of the critical measurement processes and the key assumptions used by management in applying accounting policies with regard to the future, and which could have significant effects on carrying

amounts stated in the consolidated financial statements, or for which there is a risk that significant adjustments may be made to the carrying amount of assets and liabilities in the year following that under review.

Allowance for impairment

The allowance for impairment reflects a management estimate of losses on the portfolio of end customer receivables. It is estimated according to expected losses by the Group on the basis of past experience with similar receivables, current and historical overdue receivables, losses and collections, 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 recognised in the financial statements.

Provision for obsolete inventories

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

Recoverable amount of non-current assets

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

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

- In this context, for the purposes of preparing the consolidated financial statements at December 31, 2011, and more specifically in carrying out the impairment tests for property, plant and equipment and intangible assets, the Group has taken into consideration the forecast trends for 2012. For future years, it has formulated specific forecasts for the progress of its business in a precautionary sense, taking into account the economic-financial context and the market which is greatly changed by the current crisis. On the basis of these forecasts, there is no apparent need for significant impairments.

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

Defined benefit plans

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

Realisability of deferred tax assets

At December 31, 2011, the Group has deferred tax assets of Euro 4,799 thousand entirely recognised in the financial statements. At December 31, 2010, the Group had deferred tax assets of Euro 5,456 thousand entirely recognised in the financial statements. The evaluation of the realisability of deferred taxes took into

consideration budget results and forecasts for subsequent years that are consistent with those used for impairment tests and which are described in the previous paragraph on the recoverable amount of non-current assets. Moreover, allocated deferred taxes refer to temporary tax differences which, to a significant extent, can be recovered in the long-term, so they are therefore compatible with a context in which coming out of the crisis and the economic recovery were to take longer than the timeframe indicated in the above-mentioned forecasts.

Contingent liabilities

The Group is involved in legal and 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.

4.3 Basis of consolidation

Subsidiaries

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

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

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

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

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

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

Associates and companies under joint control

The Group does not hold any investments in associates or companies under joint control (joint ventures).

Transactions eliminated on consolidation

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

Treatment of foreign currency transactions

Foreign currency transactions

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

Financial statements of foreign operations

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

Exchange rate differences arising from translation are recognised 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 translation of monetary receivables or payables from foreign operations, the collection or payment of which is neither planned nor probable in the foreseeable future, are viewed as part of net investment in foreign operations and are recognised directly under equity in the above reserve.

On the first-time adoption of IFRS, the cumulative translation differences generated by consolidation of foreign companies outside the 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 January 1, 2007 onwards (the date of the YOOX Group’s transition to IFRS).

The following table shows the exchange rates used at December 31, 2011 and at December 31, 2010 for the translation of items in the income statement and statement of financial position denominated in foreign currencies (*source*: http://www.uic.it).

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

	Exchange rate at Dec. 31, 2010	Average exchange rate for 2010
USD	1.3362	1.3257
JPY	108.65	116.24
CNY	8.220	8.9712
GBP	0.8608	0.8578

The foreign currencies are reported against Euro units.

Derivative financial instruments

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

Derivative financial instruments are recognised in accordance with the rules of hedge accounting when:

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

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

Derivatives are initially measured at fair value. The associated transaction costs are recognised in the income statement when 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 cash flow hedges are recognised directly in equity to the extent that the hedge is effective. For the ineffective portion, changes in fair value are recognised 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.

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

Property, plant and equipment

Measurement and recognition

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 depreciated over the life of the assets in question. All other financial expenses are recognised 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 recognised 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 recognised 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 recognised in the income statement when incurred.

When the cost of replacing parts of the assets is capitalised, the residual value of the replaced parts is recognised in 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 recognised in the income statement when incurred.

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

Assets under finance lease

Property, plant and equipment held under finance leases, for which the Group has substantially assumed all risks and rewards of ownership, are recognised at the start date of the lease as assets at their fair value, or, if lower, at the 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 recognised under financial payables.

Depreciation

Depreciation of items of property, plant and equipment is recognised in the income statement on a straight-line basis over their useful life.

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

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

The depreciation methods, the useful lives and residual values are revised at the reporting date and have not been modified in relation to the previous year.

Intangible assets

Development costs

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

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

- the technical feasibility of the product can be demonstrated;
- the ability to use or sell the intangible asset can be demonstrated;
- the Group intends to complete the development project;

- the costs incurred for the project can reliably be calculated;
- the amounts recognised can be recovered through expected 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 expenses. 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 recognised in the income statement when incurred. Other development expenses are recognised in the income statement when incurred.

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

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

Other intangible assets with finite useful life

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

Subsequent costs

Subsequent costs are only capitalised when there is an increase in the expected future economic benefits attributable to the assets in question. All other subsequent costs are recognised in the income statement when incurred.

Amortisation

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

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

The useful lives and residual values are revised at the reporting date and have not been modified in relation to the previous year.

Other non-current financial assets

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

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

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

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

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

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

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

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

Current financial assets

Current financial assets and securities held with the intention of keeping them until maturity are recognised at the settlement date and, at the time they are first recognised, they are measured at the purchase cost, including ancillary costs to the transaction.
Following the initial measurement, the financial instruments available for sale and those for trading are 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 measurement techniques, such as, for example the analysis of discounted cash flows, made using the market information available at the reporting date.
The gains and losses on financial assets available for sale are recognised directly under Other comprehensive income/(expense) until the financial asset is sold or impaired; at the time the asset is sold, the cumulative profits or losses, including those previously recognised under Other comprehensive income/(expense) are included in the income statement for the year; when the asset is impaired, the cumulative losses are included in the income statement. The gains and losses created by variations in the fair value of financial instruments classified as held for trading are recognised in the income statement for the year.
Securities 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 measured, 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 measured at purchase cost. Loans with a term of more than a year, are non-interest bearing or which mature with interest less than the market, are discounted using the market rates.
Valuations are made regularly in order to check whether there is objective evidence that a financial asset or group of assets could be impaired. If there is objective evidence of impairment, an impairment loss should be recognised as a cost in the income statement for the year.

Inventories

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

In order to present the value of inventories appropriately in the financial statements, and to take into account impairment losses due to obsolete materials and slow inventories, obsolescence provisions have been accrued, directly deducted from the carrying amount of the inventories.

Trade and other receivables

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

Cash and cash equivalents

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

Impairment losses on assets

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

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

If the test shows that the recognised assets, or a cash-generating unit, are impaired, the recoverable amount is estimated and the difference between the carrying amount and the recoverable amount is recognised in the income statement. The impairment loss of a CGU is therefore first charged against goodwill, where applicable, and then as a reduction in the carrying amount of the other assets.

The recoverable amount of an asset or a CGU is obtained by discounting the cash flows expected to derive from that asset or CGU. The discount rate used is the cost of capital, taking into account the specific risks associated with the asset or CGU. The recoverable amount of investments in held-to-maturity securities and of receivables stated at amortised cost corresponds to the present value of future cash flows, discounted at the effective interest rate calculated at initial recognition. The recoverable amount of other assets is the greater of the selling price and the value in use, calculated by discounting estimated future cash flows at a rate that reflects market conditions.

Any impairment losses on receivables measured at amortised cost are reversed if the subsequent increase in recoverable amount can be objectively determined.

If an impairment loss on an asset, excluding goodwill, is subsequently decreased or no longer exists, the carrying amount of the asset or the CGU is increased to the new estimated recoverable amount, which must not exceed the value that would have been calculated if no impairment had been recognised. The reversal of an impairment loss is immediately recognised in the income statement.

Share capital and other items of equity

The share capital is made up of the ordinary shares issued by the Parent.

Any costs arising from issuing new shares or options are recognised in Equity (net of associated tax benefits) as a reduction of the income deriving from the issue of such instruments.

As required by IAS 32, if instruments representing own capital are repurchased, these instruments (own shares) are deducted directly from the “Other reserves” item within equity. No gains or losses are recognised in the income statement for the purchase, sale or cancellation of own shares.

The amount paid or received, including all costs directly attributable to the capital transaction, net of any associated tax benefit, is stated directly as a change in equity.

Any dividends paid to shareholders are recognised as liabilities in the period in which they are approved.

Financial liabilities

Financial liabilities are initially recognised at their fair value, net of ancillary charges, and following the initial recognition are measured at amortised cost using the effective interest method. The difference between the amortised cost and the repayment amount is recognised in the income statement according to the duration of

the liabilities based on interest accrued. Financial liabilities hedged by derivatives, where hedge accounting rules apply, are measured in the same way as the hedging instrument.

Employee benefits

Post-employment benefits for Italian companies are considered defined benefit plans for IAS 19. Guaranteed benefits to employees, in the form of post-employment benefits, provided to coincide with the end of the working relationship are recorded at the expected future value of the benefits that the employees will receive and which have matured in the current and previous years. The benefits are discounted and the liability is stated net of the fair value of any pension plan assets. These net obligations are calculated separately for each plan on the basis of actuarial assumptions, and are evaluated at least once a year with the assistance of an independent actuary using the projected unit credit method.

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

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

Share-based payment transactions

The YOOX Group awards additional benefits to some directors, managers, white-collars, consultants and other employees through stock option plans and Company incentive plans. In accordance with IFRS 2 – Share-based payment, these are classified as equity-settled. The total amount of the present value of the stock options and Company incentive plans at the grant date is therefore recognised in the income statement as a cost. Changes to the present value after the grant date have no effect on the initial measurement. The remuneration cost, which amounts to the present value of the 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 balancing entry under equity.

Provisions for risks and charges

Provisions for risks and charges are recognised for expenses for Group obligations that are legal or implicit (under contracts or otherwise), deriving from a past event. They are recognised if it is likely that resources will have to be used to fulfil the obligation, and if a reliable estimate of the obligation can be made. An implicit obligation is defined as an obligation that arises when the Group has notified other parties, via established practices, public company strategies or a sufficiently explicit announcement, that it will accept the obligation, in such a way that the third party expects the Group to honour the obligation. If it is estimated that these obligations will arise beyond 12 months and the related effects are significant, the obligations are discounted at a rate that takes account of the cost of money and the specific risk associated with the liability recognised. Any change in the estimated provisions is reflected in the income statement for the year in which it takes place. If obligations are discounted, the increase in the provision due to the passage of time and any effect arising from the change in the discount rate is recognised as a financial expense.

Trade and other payables

Trade and other payables falling due within normal commercial terms, usually less than a year, are recognised at the fair value of the initial amount plus transaction costs. After initial recognition, they are measured at amortised cost, with any differences shown in the income statement for the life of the liability, in line with the effective interest rate method. Trade and other payables, which are usually due within a year, are not discounted.

Revenue and income

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or due, taking into account any returns, allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards associated with ownership of the assets are transferred to the purchaser, recoverability of the consideration is probable, the related costs or any return of goods can be reliably estimated, and if management ceases to exercise the level of continuous operation normally associated with ownership of the goods sold.

The transfer of risks and rewards usually takes place when the goods are shipped to the customer, i.e. when the goods are handed over to the carrier.

Services

Revenue from the provision of services is recognised in the income statement on the basis of the stage of completion of the service at the reporting date. The stage of completion is measured according to the work performed.

Commission

When the Group acts as a commercial intermediary rather than as a principal, the revenue stated corresponds to the net amount of the commission earned by the Group.

Dividends

Collectible dividends are recognised as income in the income statement at the date of their approval by the shareholders of the company distributing the dividend. Conversely, dividends are shown as changes in equity in the year in which they are approved by the shareholders.

Cost of goods sold

The cost of goods sold is the sum of the costs incurred by the Group in relation to all the assets on the basis of which it generates sales revenue, net of changes in finished product inventories. The cost of goods sold therefore includes the cost of purchasing the goods plus the direct and indirect ancillary costs, both internal and external, including transport costs and customs duties. Costs incurred for transporting goods are included under the cost of goods sold since they relate directly to sales revenue. The cost of goods purchased is carried at the fair value of the amount paid or agreed. Generally, the cost of goods purchased is therefore composed of cash or cash equivalents paid or payable in future on normal payment terms. On this basis, the cost of goods purchased is recognised according to the purchase price of the goods stated on the invoice, net of rebates, discounts and allowances.

The cost of goods purchased is adjusted to take account of any decisions to grant further discounts in addition to those contractually agreed, and any deferral of payments beyond 12 months that effectively represent a loan from the supplier to the Group. In the latter case, the present value of the cost of goods purchased is represented by the future cash flow compounded using a market interest rate. Similarly, when additional discounts for early cash payment are applied to the agreed terms of payment in the contract or invoice, the present value of the cost of goods purchased is shown gross of this further discount, which is recognised as interest income.

The change in goods inventories reflects the difference between initial inventories (the closing inventories from the previous year) and the closing inventories of the year under review.

The cost of goods sold also includes costs relating to revenue from assistance with the creation/maintenance of the Online Stores, which are invoiced to the Strategic Partners of the Online Stores in the Mono-brand business segment.

Fulfilment costs

These are costs incurred for:

- digital production, cataloguing and quality control: this item classifies costs incurred for “making ready” the goods purchased (labelling, classification and warehouse storage). They include costs for personnel, insurance, consultancy and the purchase of consumables. They also include a portion of the cost of depreciating the assets involved in the process, vehicle hire costs and other expenses directly ascribable to the functions involved in the process.

- logistics: this item includes the cost of handling and packaging the goods, which comprises the costs of logistical warehouse management and related consultancy, as well as a portion of the amortisation/depreciation of property, plant and equipment and intangible assets, and the cost incurred for remuneration of personnel directly carrying out this function.

- customer services: these costs include all customer care expenses, including the costs of the call centre and the telephone and email services available to the customer, the costs of dedicated staff and the share of amortisation/depreciation of the related property, plant and equipment and intangible assets.

Sales and marketing costs and general and administrative expenses

Expenditure for these items is calculated at the fair value of the consideration paid or agreed.

Generally, these expenses are composed of cash and cash equivalents paid or payable in future on normal payment terms. On this basis, they are recognised according to the price of the services stated on the invoice, net of rebates and discounts.

These expenses are adjusted in the event of discounts on contractually agreed amounts and deferral of payments beyond 12 months that effectively represent a loan from the supplier to the Group.

In this event, the present value of the cost of services consists of the future cash flow compounded using a market interest rate.

When additional discounts for early cash payment are applied to the agreed terms of payment in the contract or invoice, the present value of the cost of services provided is shown gross of this further discount, which is recognised as interest income.

The cost is stated on an accruals basis (based on the stage of completion of the service at the reporting date).

Costs for which the Group believes it will incur a disbursement during the year, without being able to quantify the precise amount of the disbursement, are recognised in the income statement as reasonable estimates.

Rental charges and operating lease payments

Rental charges and operating lease payments are recognised in the income statement on an accruals basis (at the time when the economic benefits deriving from the rented or leased assets are recognised). In the event that the economic benefits are lower than the unavoidable minimum charges and the contract is therefore classified as onerous, the costs are recognised immediately in the income statement as the difference between the discounted charges and benefits.

Financial income and expenses

Financial income includes interest earned on cash investments and gains on hedging instruments recognised in the income statement. Interest income is recognised in the income statement on an accrual basis using the effective interest method. Financial expenses include interest expense on loans and losses on hedging instruments recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest method.

Income taxes

The tax burden for the year includes the current and the deferred tax liability. Income taxes are recognised in the income statement, except for those relating to any transactions recognised directly in equity.

Current tax is the estimated amount of income tax owed, calculated on the basis of taxable income for the year by applying the tax rates in force or substantially in force at the reporting date together with any adjustments to the amounts from previous years.

Deferred tax is recognised in accordance with the equity method by calculating temporary differences between the recognised carrying amount of assets and liabilities and the corresponding amounts recognised for tax purposes. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable in the year in which the asset or liability will be realised or settled, based on the tax rates established under the regulations in force or substantively in force at the reporting date. Deferred tax assets and liabilities are offset if there is a legally exercisable right to offset current tax assets against current tax liabilities, and if the deferred tax assets and liabilities relate to income tax levied by the same tax authority from the same taxable party or from different taxable parties that intend to settle their current tax assets and liabilities on a net basis, or to realise their tax assets and settle their tax liabilities at the same time.

Deferred tax assets are recognised to the extent it is likely that future taxable income will be sufficient for these assets to be used. The carrying amount of deferred tax assets is revised at every reporting date and is reduced to the extent that the related tax benefit is no longer likely to be realised.

Additional income tax resulting from any distribution of dividends is recognised when the liability to pay dividends is recognised.

Earnings per share

Basic earnings per share are calculated as the ratio of the profit or loss pertaining to owners of the Parent to the weighted average number of ordinary shares outstanding during the year, excluding any own shares in portfolio. Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding on the assumption that all the options granted with a dilutive effect will be converted into ordinary shares. The Group has a category of potential ordinary shares with a dilutive effect for its stock option plans.

Segment reporting

A business segment is a group of separately identifiable activities and operations providing a set of related products and services, subject to risks and rewards that differ from those of other Group business segments.

Under IFRS 8, segment reporting must be based on the elements used by the Chief Operating Decision Maker (CODM) to analyse performance and make operational decisions.

Additional information about financial instruments

Pursuant to IFRS 7, additional information about financial instruments is provided for the purposes of assessing:

- the impact of financial instruments on the Group's financial position, results of operations and cash flows;
- the nature and scale of the risks deriving from financial instruments to which the company is exposed, and;
- the way in which these risks are managed.

5. Changes to accounting standards, new accounting standards, changes to estimates and reclassifications

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

In the amendment to IAS 24 – *Related party disclosure* – the IASB has simplified the disclosure requirements regarding related parties where public bodies are involved and has provided a new definition which involves a relation between related parties irrespective of the legal status for all direct relations linked by relations of control, joint control or considerable influence and the presence of control or joint control in even only one leg of the relations.

The amendments of the IASB in May 2010 were implemented in Commission Regulation (EU) No 149/2011. The standards involved and amendments are listed below.

IAS 1 – *Presentation of financial statements*:

- the modification included the principle with clarifications about completing the table for changes in equity and specifically introduced the requirement to present the reconciliation of the changes for each equity component and an analysis of each item of other comprehensive income in the notes or in the financial schedules.

IAS 34 – *Interim financial reporting*:

- the improvement clarified, through a non-exhaustive list, the facts and the transactions for which disclosure would have to be provided, if these facts and transactions are considered to be significant; the modification introduced the need for clarification about the changes that took place during the year which affected the fair value of the financial instruments, the transfer of fair value levels between the hierarchies used in the measurement of financial instruments, and the modifications to the classification of financial instruments as a result of modifications in their use and their scope; the requirement to provide disclosure about changes in contingent liabilities or assets at the reporting date of the last year was also eliminated.

IFRS 7 – *Financial instruments: disclosures*:

- the improvement introduced the obligation to disclose qualitative information in the context of quantitative information which allows users of the financial statements to link the related information and therefore represent a general framework of the nature and the extent of the risks deriving from the financial instruments; a requirement to supply information about the interaction between qualitative and quantitative additional information surrounding the nature and the scope of financial instrument inherent risks was also introduced;
- the obligation to provide information concerning financial assets that have expired but been renegotiated or impaired has been eliminated.

Amendments and interpretations that came into effect from January 1, 2011 but that are not relevant for the Group

The principles involved and amendments are listed below.

IFRS 1 - *First-time adoption of international financial reporting standards*:

- the amendment introduced exemption for IFRS first-time adopters from providing disclosure about changes in accounting policies in the year of first-time adoption;
- the amendment provided clarification about the use of fair value as deemed cost.

IFRS 3 – *Business combinations*:

The improvement clarifies that the possibility of measuring all components of non-controlling interests at fair value or in proportion to the share of non-controlling interests in the identifiable net assets of the acquiree is only limited to those components representing instruments that currently give non-controlling interests rights equivalent to ordinary shares and specifically in proportion to net assets in the case of liquidation. All the other components relating to non-controlling interests (such as, for example, privileged shares or warrants issued by

the company acquired to third parties) must be measured at fair value, unless the IFRS gives another measurement criterion.
The improvement also provides guidance for the accounting treatment of the exchange of the share-based payment awards of an acquiree with those of the buyer.

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

- the guidance for acquiring subsidiaries in stages;
- the right to measure any non-controlling interests acquired during a partial acquisition at fair value;
- the allocation of all costs connected to the business combination to the income statement;
- the recognition of contingent liabilities at the acquisition date.

IFRIC 13 – *Customer loyalty programmes*:

- assessment at fair value has been introduced for award credits.

IAS 32 – *Financial instruments: Presentation*:

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

IFRIC 19 – *Extinguishing financial liabilities with equity instruments*. The amendment has established that:

- the issue of equity instruments should be commensurate with the consideration paid;
- equity instruments are measured at the fair value at the date they are extinguished. If the fair value cannot be reliably measured, the fair value of the extinguished liability is adopted;
- the difference between the consideration paid and the carrying amount of the financial liability extinguished is recognised in the income statement;
- the interpretation cannot be applied to transactions under joint control or between shareholders and creditors;
- as far as partial reissues are concerned, the consideration paid should be allocated to the remaining liabilities and to those which have been extinguished, and the 10% test should be carried out to check the substantial modification of the liability whilst the transaction costs can only be deferred in the case of modifications that are not substantial.

New accounting standards and amendments not applicable in 2011 and not adopted early

The standards involved and amendments are listed below.

IAS 27 – *Consolidated and separate financial statements*:

- the standard has been amended in view of the introduction of IFRS 10. The amendment establishes that it is not compulsory to draw up separate financial statements, but if they are produced they come under the scope of this standard. The amendment involves: the recognition of investments in subsidiaries, associates and joint ventures at cost or in compliance with IFRS 9, the payment of dividends, reorganisations within the Group structure and disclosure to be presented.

IFRS 10 – *Consolidated financial statements* and IFRS 12 – *Disclosure of interests in other entities*

The Board has:

- revised the definition of control and the related application guidance so that all entities apply the same control model; and
- improved the disclosure provided about consolidated and non-consolidated entities.

The Board has provided the full guidelines for establishing in which circumstances a special purpose vehicle or an entity in which the majority of voting rights is not held (even potential ones) should or should not be consolidated.
To sum up, control is held where it can be demonstrated that the investor has the power to decide about the activities of the business it has invested in (investee), and is exposed to the variable nature of the business returns and therefore has the ability to use its own power to affect returns.

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

IFRS 11 - *Joint arrangements*

The Board has improved:

- the recognition of the joint venture agreements defining a principle-based approach in which the entity recognises the contractual rights and obligations of the agreement in its financial statements; and
- the quality of the disclosure supplied to provide investors with a better understanding of the nature and the financial effects of the transaction that has taken place.

The IASB has separated the joint arrangements into three categories: joint operations, joint assets and joint ventures. To establish which category a joint arrangement comes under, the substance of the agreement needs to be considered and one should not be limited to the formal aspect alone. In joint operations and joint assets, the investor contractually acquires a right to a given asset (or to a share of an asset) and/or assumes a given liability (or a share of a liability), while in joint ventures, the investor acquires the right to obtain a share of the results produced by the group of assets and liabilities controlled jointly by all the venturers. The contracting party in a joint operation or a joint asset recognises the assets (or a share of the assets) that they acquire, the liabilities (or a share of the liabilities) that they take on following the contract and the related costs and revenues (or a share of the related costs and revenues) directly in their financial statements, while the contracting party in a joint venture recognises their share of the investment in the joint venture in their consolidated financial statements, applying the equity method, and therefore the proportional consolidation of joint ventures is no longer permitted. It is assumed that a business that is subject to joint control is a joint venture, unless the circumstances (i.e. the contractual rights and obligations) demonstrate otherwise.
On May 12, 2011, the IASB published IFRS 11 *Joint Arrangements* which replaces IAS 31 *Investments in joint ventures*.

IFRS 13 - *Fair value measurement*

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

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

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

6. Scope of consolidation

The scope of consolidation at December 31, 2011 comprises the following subsidiaries of YOOX S.p.A.:

- YOOX Corporation, formed in 2002 to manage sales activities in North America;

- YOOX Japan, formed in 2004 to manage sales activities in Japan;

- Y Services, formed in 2007 to manage the US sales of the Online Stores for the following brands: Diesel, Marni, D&G, Dolce & Gabbana, Moncler and Zegna;

- Mishang Trading (Shanghai) Co. Ltd. established in the fourth quarter of 2010 to manage sales in China;

- YOOX Asia Limited established in the second quarter of 2011 to manage sales in the Asia-Pacific area.

At December 31, 2011 the scope of consolidation includes the following companies:

Company	*Registered offices*	*Share capital at Dec. 31, 2011 (Thousand Euro)*	*Percentage held at Dec. 31, 2011*
YOOX	Via Nannetti,1– 40069 Zola Predosa – Bologna, Italy	531	-
YOOX Corporation	15 East North Dover, Delaware 19901, United States of America	248	100%
Y Services	Delaware, 1220 Market St. Ste 806, Wilmington 19801, United States of America	125	100%
YOOX Japan	Grande Maison Daikanyama No. 1001 150 0022 Shibuya-ku, Tokyo, Japan	75	100%
Mishang Trading (Shanghai) Co. Ltd	Floor 6, Donglong Building No.223 Xikang Road, Jing'an District 200050 SHANGHAI	2,000	100%
YOOX Asia Limited	16 FL WESTERN PLAZA, 3 SAN ON STREET, TUEN MUN, N.T, 230, HONG KONG, CN	91	100%

The scope of consolidation underwent changes compared with December 31, 2010 through the establishment in the second quarter of 2011 of YOOX Asia Limited in order to manage sales in the Asia-Pacific area.

7. Segment reporting (business lines)

The Group's operating segments were determined on the basis of the reporting information used by senior management when making strategic decisions. This reporting information, which also reflects the Group's current organisational structure, is based on the various products and services provided and was produced using the accounting standards described above (IFRS).

The operating segments generate revenue from the core production and sales activities described below:

1. Multi-brand, comprising the Multi-brand Online Store activities of yoox.com and thecorner.com:

    a) as an Online Store, yoox.com has been operational since June 2000, and offers a vast array of fashion and design products. The majority of products offered on yoox.com are clothing, footwear and fashion accessories drawn from the collections of well-known brands for the corresponding season of the previous year at reduced prices. To complete its select offerings, yoox.com offers collections made exclusively for sale through yoox.com from leading designers, as well as vintage garments, special editions from on-trend designers and an original selection of design objects;

    b) thecorner.com is an Online Store launched in February 2008 to market the current season's collections of established brands and exclusive and/or handcrafted brands, characterised by relatively limited distribution, and most of which are being made available online for the first time. The products sold on thecorner.com carry prices in line with those found in the traditional channel for the same clothing and accessories.
    At its start, thecorner.com offered men's clothing only, and in September 2009 it launched a women's collection. From September 2011, the corner.com also expanded into China.
    thecorner.com is a virtual space containing mini-stores dedicated to each brand, designed to recreate the style, the atmosphere and the world of ideas evoked by the brand. Customers can browse for clothes, shoes and accessories while immersed in exclusive multimedia content and images from advertising campaigns and fashion shows.

2. Mono-brand, comprising the design, creation and management, on an exclusive basis, of the Mono-brand Online Stores of some of the leading global fashion brands. The Group is therefore the strategic partner for these brands in this specific sales channel. The products available in the Online Stores are sold and invoiced directly to end customers by YOOX.

The Group also has a Corporate and Central Services Area that directs and coordinates the Group's activities. This Area also plays a key role in facilitating the operational integration of the various Areas and in supporting the activities directly associated with the operating segments. This Area includes Group management and the

administrative, finance and control, legal, general services, human resources, communications and image, technology, investor relations and internal audit functions.

The Group evaluates the performance of its operating segments according to their operating results, these being the results generated by ordinary operations.

The segment revenues shown are those directly generated by or attributable to the segment and derive from its core activity. They include solely the revenue earned from transactions with third parties, since no revenue is generated from transactions with other segments. Segment costs comprise the direct costs charged by third parties in relation to the operating activities of the segment or directly attributable to the segment. No costs are incurred in relation to other operating segments.

The operational reporting system used by senior management to evaluate business performance does not envisage the allocation of amortisation, depreciation and non-monetary income and expenses to the operating segments, and the information presented here is consistent with this reporting system.

General expenses and other non-recurring income and expenses, financial income and expenses and taxes incurred in Group operations remain the responsibility of the Corporate Area since they are not related to the operations of the segments, and are recognised under the “Corporate” column.

Income statement figures for each operating segment for 2011, with a reconciliation of entries with the Group’s income statement, are presented below:

Description	*Multi-brand*		*Mono-brand*		*Corporate*		*Group total*	
	2011	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*
Segment net revenue	**212,791**	**163,657**	**78,397**	**50,631**			**291,188**	**214,288**
Segment operating profit	**32,217**	**29,135**	**14,823**	**9,058**			**47,039**	**38,194**
Reconciliation with Group results:								
General expenses					(28,070)	(22,148)	**(28,070)**	**(22,148)**
Other depreciation and amortisation not attributable to operating segments					(2,190)	(541)	**(2,190)**	**(541)**
Other income and expenses					(357)	(497)	**(357)**	**(497)**
Non-recurring expenses					-	-	**-**	**-**
Other items								
Group operating profit/(loss)	**32,217**	**29,135**	**14,823**	**9,058**	**(30,616)**	**(23,186)**	**16,423**	**15,007**
Financial income					1,237	986	**1,237**	**986**
Financial expenses					(1,209)	(1,053)	**(1,209)**	**(1,053)**
Profit before tax							**16,450**	**14,941**
Taxes					(6,450)	(5,824)	**(6,450)**	**(5,824)**
Profit for the year							**10,000**	**9,117**

Segment assets are assets that are used by the segment to conduct its core business, or which could reasonably be allocated to its core business. Since the operational reporting system used by senior management to assess business performance solely allocates inventory value by segment, the following information is provided according to this reporting system:

	Multi-brand		*Mono-brand*		*Unallocated items*		*Group total*	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Segment assets (inventories)	101,862	76,311	-	-	-	-	**101,862**	**76,311**
Other current assets					41,148	45,972	**41,148**	**45,972**
Non-current assets					36,911	21,487	**36,911**	**21,487**
Total Group assets							**179,921**	**143,770**

Inventories at December 31, 2011 solely comprise goods connected to the Multi-brand business segment, which are acquired and put up for sale.

8. Information by geographical area

Revenue generated by the Group from transactions with third-party customers break down as follows:

Description	*Dec. 31, 2011*	*Dec. 31, 2010*
Italy	57,677	49,240
Europe (excluding Italy)	141,572	102,989
North America	59,731	42,199
Japan	19,827	13,433
Other countries	6,089	2,250
Not country related	6,292	4,177
Total	**291,188**	**214,288**

The “Not country related” item comprised the set-up and maintenance activities for the Online Stores, media partnership projects in the Multi-brand business segment as well as web marketing and web design services in the Mono-brand business segment, and other services offered by Yagency.

The table showing revenue by geographical area complies with the Group control model: only sales to online customers are allocated by country in the actual control model.

In 2011 and in 2010, revenue generated from transactions with the largest third-party customer did not exceed 10% of the Group’s total revenue.

The total value of non-current assets, excluding deferred tax assets, in Italy and the rest of the world is as follows:

Description	**Dec. 31, 2011**	**Dec. 31, 2010**
Non-current assets – Italy	31,310	15,423
Non-current assets – US	462	447
Non-current assets – Japan	103	105
Non-current assets – China	229	56
Non-current assets – Hong Kong	8	-
Total	**32,112**	**16,031**

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

Consolidated income statement

9.1 Net revenue

The Group's net revenue from sales and the provision of services for 2011 and 2010 breaks down as follows:

Description	*2011*	*2010*	*Change*
Net revenue from sales	274,617	201,903	72,715
Revenue from the provision of services	16,570	12,385	4,185
Total	**291,188**	**214,288**	**76,900**

Net revenue from sales increased by 36.0%, from Euro 201,903 thousand in 2010 to Euro 274,617 thousand in 2011. Net revenue includes all revenue arising from the sale of goods, net of customer discounts and returns.

The marked rise in net revenue from sales in 2011 is mainly due to the uptrend in sales volumes. The growth in volumes is largely due to the rise in the number of orders and to the average order value by the customer.

For further details on the breakdown of revenue by geographical area and by operating segment, please see Note 7 Segment reporting and Note 8 Information by geographical area.

Revenue from sales is presented net of sales returns, amounting to Euro 96,070 thousand in 2011, or 25.9% of 2011 gross revenue (revenue from sales before customer returns in 2011) and Euro 72,034 thousand in 2010, or 26.3% of 2010 gross revenue (revenue from sales before customer returns in 2010). Returns are an inherent part of the Group's business activities, resulting from legislation safeguarding consumers in the countries where the Group operates in relation to mail order sales, and in particular e-commerce.

Revenue from the provision of services, which rose by 33.8% from Euro 12,385 thousand in 2010 to Euro 16,570 thousand in 2011, mainly comprises:

- the recharging of transport services for sales to the end customer (in certain countries the customer also pays for return shipments), net of refunds made if the customer returns the goods sold;
- revenue from the set-up fees charged to create the Online Stores and fees charged to Strategic Partners in the Mono-brand business segment for assistance in maintaining the Online Stores;
- revenue generated from the sale of media partnership projects and web marketing services.

9.2 Cost of goods sold

The cost of goods sold stood at Euro 183,019 thousand (62.9% of net revenue) for the year ended December 31, 2011 compared with Euro 129,864 thousand (60.6% of net revenue) for 2010, an increase of Euro 53,155 thousand. The item includes costs deriving from the purchase of goods for sale, the cost of services and other costs.

The following table shows a breakdown of the cost of goods sold by nature:

Description	*2011*	*2010*	*Change*
Change in inventories of goods	24,043	28,752	(4,710)
Purchase of goods	(179,612)	(139,465)	(40,148)
Cost of services	(25,226)	(17,773)	(7,453)
Other costs	(2,223)	(1,379)	(844)
Total	**(183,019)**	**(129,864)**	**(53,155)**

Purchase of goods increased by 28.8%, from Euro 139,465 thousand in 2010 to Euro 179,612 thousand in 2011. This item comprises costs for the procurement of goods for resale and its absolute value directly correlates to volumes sold.

Cost of services increased by 41.9%, from Euro 17,773 thousand in 2010 to Euro 25,226 thousand in 2011. This item includes transportation costs for sales and returns. A portion of the transportation costs is invoiced directly to the end customer and recognised as revenue from the provision of services, net of refunds on customer returns.

Other costs increased by 61.2%, from Euro 1,379 thousand in 2010 to Euro 2,223 thousand in 2011. These costs mainly comprise transportation costs for purchases, and the internal personnel costs and external supplier costs incurred to set up and maintain the websites of Mono-brand Strategic Partners.

9.3 Fulfilment costs

Fulfilment costs came in at Euro 31,738 thousand (10.9% of net revenue) in 2011, compared with Euro 22,048 thousand (10.3% of net revenue) in 2010, an increase of Euro 9,691 thousand.

This cost comprises operational expenses incurred from digital production, cataloguing and quality control, from warehouse logistics, and from customer services.

The following table shows the breakdown of fulfilment costs:

Description	2011	2010	*Change*
Service costs and other costs	(24,049)	(17,213)	(6,836)
Personnel expenses	(5,531)	(4,326)	(1,205)
Depreciation and amortisation	(2,159)	(509)	(1,650)
Total	**(31,738)**	**(22,048)**	**(9,691)**

Service costs and other costs increased by 39.7%, from Euro 17,213 thousand in 2010 to Euro 24,049 thousand in 2011. They mainly comprise service costs for handling and packaging goods and costs relating to outsourced production processes.

Personnel expenses went from Euro 4,326 thousand in 2010 to Euro 5,531 thousand in 2011, an increase of 27.9% due both to an increase in the number of staff employed in this division, which went from 91 at December 31, 2010 to 105 at December 31, 2011, of which 8 members of staff at December 31, 2010 were located in offices overseas, this figure reaching 13 at December 31, 2011, and to the increase in the cost of stock option plans and the company incentive plan which went from Euro 152 thousand in 2010 to Euro 243 thousand in 2011. In addition to the cost of employees, personnel expenses also include the cost of interns, partners and consultants that comes under personnel expenses.

9.4 Sales and marketing costs

Sales and marketing costs increased by Euro 6,857 thousand in the year ended December 31, 2011, to Euro 31,580 thousand (10.8% of revenue), compared with Euro 24,723 thousand (11.5% of revenue) for 2010.

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 (including costs for online affiliation activities, i.e. sales commission paid to commercial intermediaries, and for consultancy services for the creation and development of advertising campaigns and procurement). Sales and marketing expenditure also includes 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 levied on the import and export of goods sold.

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

Description	*2011*	*2010*	*Change*
Cost of services and other costs	(20,622)	(15,115)	(5,507)
Personnel expenses	(9,240)	(7,736)	(1,505)
Depreciation and amortisation	(31)	(32)	1
Other costs	(1,687)	(1,840)	153
Total	**(31,580)**	**(24,723)**	**(6,857)**

Cost of services increased by 36.4%, from Euro 15,115 thousand in 2010 to Euro 20,622 thousand in 2011. The main components of service costs incurred in 2011 are:

- web marketing costs of Euro 7,088 thousand (Euro 6,306 thousand in 2010). These costs relate to the purchasing of online advertising, the negotiation and implementation of marketing agreements and the development of new partnerships as well as the commercial and technical management of existing partnerships, mainly for the Multi-brand business segment;
- expenses for credit card transactions of Euro 4,818 thousand (Euro 3,592 thousand in 2010);
- import and export duties totalling Euro 6,128 thousand (Euro 3,846 thousand in 2010).

Personnel expenses went from Euro 7,736 thousand in 2010 to Euro 9,240 thousand in 2011, an increase of 19.5% due both to an increase in the number of staff employed in this division, which went from 123 at December 31, 2010 to 167 at December 31, 2011, of which 25 members of staff at December 31, 2011 were located in offices overseas (14 in 2010), and to the increase in the cost of stock option plans and the company incentive plan which went from Euro 1,163 thousand at December 31, 2010 to Euro 1,370 thousand at December 31, 2011. In addition to the cost of employees, personnel expenses also include the cost of interns, partners and consultants that comes under personnel expenses.

Other costs decreased by 8.3%, from Euro 1,840 thousand in 2010 to Euro 1,687 thousand in 2011. This item mainly comprises costs incurred for fraud relating to online sales, which went from Euro 908 thousand in 2010 to Euro 542 thousand in 2011.

9.5 General expenses

General expenses include all the overheads of the Group's various offices pertaining to personnel management, administration, finance and control, communications and image, general management, general services and technological services.

General expenses rose by Euro 5,922 thousand in 2011, coming in at Euro 28,070 thousand compared with Euro 22,148 thousand in 2010.

General expenses can be broken down as follows:

Description	*2011*	*2010*	*Change*
Cost of services	(13,051)	(10,091)	(2,960)
Personnel expenses	(9,550)	(8,854)	(696)
Depreciation and amortisation	(5,469)	(3,203)	(2,266)
Total	**(28,070)**	**(22,148)**	**(5,922)**

Cost of services increased by 29.3%, from Euro 10,901 thousand in 2010 to Euro 13,051 thousand in 2011.

Personnel expenses went from Euro 8,854 thousand in 2010 to Euro 9,550 thousand in 2011, an increase of 7.9% due to an increase in the number of staff employed in this division, which went from 158 at December 31, 2010 to 197 at December 31, 2011, of which 11 members of staff at December 31, 2011 were located in offices overseas (4 in 2010). The increase in the cost of stock option plans and the company incentive plan which went from Euro 2,429 thousand in 2010 to Euro 2,554 thousand in 2011. In addition to the cost of employees,

personnel expenses also include the cost of interns, partners and consultants that comes under personnel expenses.

Depreciation and amortisation increased by 70.7%, from Euro 3,203 thousand in 2010 to Euro 5,469 thousand in 2011.

9.6 Other income and expenses

Other income and expenses decreased by Euro 140 thousand, to a total negative figure of Euro 357 thousand for the year ended at December 31, 2011 compared with a negative figure of Euro 497 thousand for 2010.

Other income and expenses can be broken down as follows:

Description	*2011*	*2010*	*Change*
Prior year income	402	198	204
Theft and losses	(543)	(429)	(114)
Other tax charges	(212)	(156)	(56)
Other income/expenses	19	(50)	69
Provisions for sundry risks	(88)	(111)	23
Reimbursements	66	51	15
Total	**(357)**	**(497)**	**140**

Prior year income increased from Euro 198 thousand in 2010 to Euro 402 thousand in 2011. This item includes income and expenses from ordinary management activities.

Theft and losses relate to occurrences of theft or loss of goods sent to end customers that are already identified as missing at year end.
Other tax charges increased by 35.9%, from Euro 156 thousand in 2010 to Euro 212 thousand in 2011.

Provisions for sundry risks in 2011 relate to the estimated charge incurred due to theft and loss of goods not identified as missing at year end.

9.7 Operating profit

As required by IAS 1, the following is a breakdown of costs by nature used to determine the operating profit.

Description	*2011*	*2010*	*Change*
Net revenue	291,188	214,288	76,900
Change in inventories	24,043	28,752	(4,710)
Purchase of goods	(179,612)	(139,465)	(40,148)
Services	(82,948)	(60,191)	(22,757)
Personnel expenses	(24,322)	(20,916)	(3,406)
Amortisation, depreciation and impairment losses	(7,659)	(3,744)	(3,915)
Other costs and revenues	(4,267)	(3,717)	(551)
Operating profit	**16,423**	**15,007**	**1,415**

Operating profit increased from Euro 15,007 thousand in 2010 to Euro 16,423 thousand in 2011. The operating margin changed from 7.0% in 2010 to 5.6% in 2011.

The difference of Euro 505 thousand between the balance for the item “Change in inventories” (equal to Euro 24,043 thousand) and that equal to the differential of the item “Total net inventories” between December 31, 2011 and December 31, 2010 (equal to Euro 25,551 thousand) is due mainly to the consolidation currency effect and to the classification of the differential for the “packaging inventories” which are listed in the “goods preparation cost” in the Group’s income statement.

Personnel expenses include all employment related expenses, such as merit pay rises, promotions, cost-of-living adjustments, variable remuneration for 2011, 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 grant date and vesting dates, with a direct balancing entry in equity and payables to employees.

At December 31, 2011, the Group headcount was 26% higher than in the same period of the previous year, corresponding to a net increase of 97 employees. The table below shows a breakdown of the headcount at December 31, 2011 compared with that at December 31, 2010[19].

Description	*2011*	*2010*
Managers	24	16
Junior managers	34	30
Employees and trainees	362	300
Abroad	49	26
Total	**469**	**372**

9.8 Financial income and expenses

Financial income increased from Euro 986 thousand in 2010 to Euro 1,237 thousand in 2011.

The following table shows the breakdown of financial income:

Description	*2011*	*2010*	*Change*
Exchange rate gains	1,178	740	438
Interest income on current account	36	48	(12)
Other financial income	23	198	(175)
Total	**1,237**	**986**	**251**

Exchange rate gains increased from Euro 740 thousand in 2010 to Euro 1,178 thousand in 2011. They mainly relate to translation of US dollars and Japanese yen items and are strictly connected to the ordinary sale and purchase of goods.

Other financial income decreased from Euro 198 thousand in 2010 to Euro 23 thousand in 2011.

Financial expenses increased from Euro 1,053 thousand in 2010 to Euro 1,209 thousand in 2011.

The following table shows the breakdown of financial expenses:

Description	*2011*	*2010*	*Change*
Exchange rate losses	(644)	(684)	40
Interest expense	(242)	(95)	(147)
Other financial expenses	(323)	(274)	(49)
Total	**(1,209)**	**(1,053)**	**(156)**

Exchange rate losses, realised and unrealised, went from Euro 684 thousand in 2010 to Euro 644 thousand in 2011. They mainly relate to translation of US dollars and Japanese yen items and are strictly connected to the ordinary sale and purchase of goods.

Other financial expenses went from Euro 274 thousand in 2010 to Euro 323 thousand in 2011. These expenses refer to the issue by credit institutions of guarantees in favour of third parties on behalf of the Group. This item includes premiums paid on exchange rate hedging contracts as well as the fair value measurement of these premiums.

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

9.9 Taxes

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

Description	*2011*	*2010*	*Change*
Current corporate income tax - Parent (1)	(3,035)	(2,941)	(94)
Current regional income tax - Parent (2)	(1,275)	(1,107)	(168)
Current income tax - foreign companies	(1,284)	(3,769)	2,485
Deferred taxes	(856)	1,993	(2,849)
Total taxes	**(6,450)**	**(5,824)**	**(626)**

(1) IRES: Imposta sul Reddito delle Società (Corporate or Company Tax)
(2) IRAP: Imposta Regionale sulle Attivita Produttive (Regional Tax on Production Activities)

The Group has incurred a lower tax burden in absolute terms compared with 2011. Current taxes have decreased from Euro 7,817 thousand to Euro 5,594 thousand.
IRAP taxes rose 15% for the Parent from Euro 1,107 thousand at December 31, 2010 to Euro 1,275 thousand at December 31, 2011. IRES taxes for the Parent amounted to Euro 3,035 thousand.
Taxes for Group overseas companies for 2011 amounted to approximately Euro 1,284 thousand.

The Group also recognised deferred tax assets totalling Euro 3,833 thousand and deferred tax liabilities of Euro 126 thousand. Deferred tax assets of Euro 4,635 thousand and deferred tax liabilities of Euro 72 thousand that were recognised in 2010 were also reversed.

The amount in the income statement does not include the Euro 269 thousand of deferred taxes for the share premium reserve, in compliance with provisions of IAS 32. The deferred tax assets reversed include the deferred tax assets recognised directly against the share premium reserve of Euro 537 thousand set aside in 2010.

The following table shows the reconciliation between theoretical taxes calculated at the tax rate in effect in Italy and the taxes recognised in the consolidated financial statements.

(Thousand Euro)	*2011*	*2010*
Profit before tax	16,450	14,941
Rate	27.50%	27.50%
Theoretical tax	4,524	4,109
Effective tax	6,450	7,817
Difference	**1,926**	**3,708**
Effects attributable to Parent		
IRAP	1,275	1,107
Permanent taxes	476	263
Deferred taxes	(397)	(223)
Total effects attributable to Parent	**1,354**	**1,147**
Effects attributable to foreign companies and differential with respect to the tax rate in effect in Italy	**572**	**2,561**
Total difference	**1,926**	**3,708**

9.10 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) shown in the consolidated income statement.

Calculation of basic EPS	2011	2010
Basic earnings	10,000	9,117
Average number of ordinary shares	52,661,174	51,212,652
Basic EPS	**0.19**	**0.18**

Calculation of diluted EPS	2011	2010
Basic earnings	10,000	9,117
Average number of ordinary shares	52,661,174	51,212,652
Average number of shares granted without consideration	1,510,949	1,516,808
Total	54,172,123	52,719,461
Diluted EPS	**0.18**	**0.17**

The average number of shares granted without consideration in 2011 and 2010 used to calculate the diluted EPS relates to the effect of granting shares as part of existing stock option plans which, as stated in IFRS 2, can be converted on the basis of vesting conditions in the respective years.

In calculating the basic earnings per share (basic EPS) and the diluted per share (diluted EPS) given in the table above, the repurchase of 162,000 treasury shares which took place between July 2, 2010 and November 7, 2011 has been taken into account. The treasury shares repurchased were deducted in the calculation of the average number of ordinary shares outstanding.

Statement of financial position

9.11 Property, plant and equipment

At December 31, 2011, property, plant and equipment totalled Euro 19,315 thousand. The following is a summary of changes therein in 2011:

Description	Historical cost at Dec. 31, 2010	Increases	Decreases	Historical cost at Dec. 31, 2011	Acc. depreciation at Dec. 31, 2010	Depreciation.	Utilisation	Acc. depreciation at Dec. 31, 2011	Carrying amount at Dec. 31, 2010	Carrying amount at Dec. 31, 2011
Plant and equipment	**1,905**	**12,054**	**(13)**	**13,946**	**(1,040)**	**(1,416)**	**13**	**(2,443)**	**865**	**11,503**
Buildings	**1,440**	**2,800**	**-**	**4,240**	**(844)**	**(655)**	**-**	**(1,499)**	**596**	**2,741**
Leasehold improvements	1,440	2,800	-	4,240	(844)	(655)	-	(1,499)	596	2,741
Industrial and commercial equipment	**1,108**	**1,142**	**(8)**	**2,242**	**(657)**	**(358)**	**1**	**(1,014)**	**451**	**1,228**
Other assets	**4,871**	**2,674**	**(103)**	**7,442**	**(2,542)**	**(1,158)**	**102**	**(3,598)**	**2,328**	**3,843**
Furniture and furnishings	837	696	-	1,533	(567)	(275)	-	(842)	270	692
Electronic equipment	3,902	1,978	(103)	5,777	(1,869)	(876)	102	(2,643)	2,033	3,134
Other property, plant and equipment	131	-	-	131	(106)	(7)	-	(113)	25	18
Assets under construction and payments on account	**4,156**	**-**	**(4,156)**	**-**	**-**	**-**	**-**	**-**	**4,156**	**-**
Total	**13,479**	**18,671**	**(4,280)**	**27,870**	**(5,084)**	**(3,587)**	**116**	**(8,555)**	**8,395**	**19,315**

The overall increase in property, plant and equipment in 2011 was equal to Euro 10,920 thousand.

Investments in property, plant and equipment are mainly linked to investments in the highly automated technologistics platform, a project in which the Group has been investing since the fourth quarter of 2010.
This involved the increase in “Plant and equipment” of Euro 10,638 thousand as well as “Industrial and commercial equipment” for a sum equal to Euro 776 thousand.

Under the scope of the project mentioned above, at December 31, 2011, the YOOX Group has existing commitments to purchase assets for a sum of Euro 2,335 thousand which will be sustained overall in the years 2012-2016.

The increase in “Leasehold improvements” equal to Euro 2,800 thousand is due essentially to permanent rebuilding works on buildings rented for offices in which the Group operates, with special reference to the refurbishment/completion of the Zola Predosa offices and the new offices in Milan.

The total increase in “Other assets” of Euro 1,517 thousand is due to investment in new servers, PCs and monitors held under finance leases, for an increased value of Euro 1,102 thousand. The remaining increases equal to Euro 422 thousand mainly refer to new data archiving structures and costs incurred by the Group principally for furnishing the office headquarters.

Depreciation for the year totalled Euro 3,602 thousand.

At December 31, 2011, there were no liens or encumbrances on YOOX Group property, plant and equipment.

Moreover, no impairment losses or revaluations were carried out on items of property, plant and equipment in 2011. In the year under review, no borrowing costs were ascribed to assets in the statement of financial position.

9.12 Intangible assets with finite useful life

Intangible assets amounted to Euro 12,186 thousand at December 31, 2011.

The following is a summary of changes in intangible assets with finite useful life in 2011:

Description	Historical cost at Dec. 31, 2010	Increases	Decreases	Historical cost at Dec. 31, 2011	Acc. amortisation at Dec. 31, 2010	Amort.	Acc. amortisation at Dec. 31, 2011	Carrying amount at Dec. 31, 2010	Carrying amount at Dec. 31, 2011
Development costs	**9,305**	**8,088**	**-**	**17,393**	**(3,150)**	**(3,246)**	**(6,396)**	**6,155**	**10,997**
Software and licences	**2,873**	**681**	**-**	**3,554**	**(2,264)**	**(553)**	**(2,817)**	**609**	**737**
Brands and other rights	**197**	**152**	**-**	**349**	**(92)**	**(32)**	**(124)**	**105**	**225**
Trademarks and patents	197	152	-	349	(92)	(32)	(124)	105	225
Assets under development	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other	**1,519**	**194**	**-**	**1,713**	**(1,259)**	**(225)**	**(1,484)**	**260**	**229**
Other intangible assets	1,519	194	-	1,713	(1,259)	(225)	(1,484)	260	229
Total	**13,894**	**9,114**	**-**	**23,008**	**(6,765)**	**(4,056)**	**(10,821)**	**7,129**	**12,186**

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

Development costs

This item increased by Euro 4,842 thousand in 2011. The Group made consistent long-term investments in development projects for a total amount of Euro 8,088 thousand. These are costs incurred by YOOX S.p.A. for specific projects aimed at the ongoing development of innovative solutions for the creation and management of Online Stores. Development projects have been classified according to the area in which the various initiatives take place: platform e-commerce functional development, management development of productivity and development of service security and continuity.
These costs relate both to internal personnel costs and to the costs of services provided by third parties. In line with the strategy defined in previous years, the number of development projects outsourced to external suppliers increased significantly. Expenses for research-related activities, which are carried out with a view to obtaining new scientific or technical knowledge and discoveries, are recognised in the income statement at the time they are incurred.

Software and licences

The increase of Euro 681 thousand in this item includes expenditure with long-term benefits, principally relating to the acquisition of software licences to build the infrastructure of the Online Stores.

Brands and other rights

The value of this item at December 31, 2011 stood at Euro 225 thousand, an increase of Euro 120 thousand during 2011.

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

Assets under development

At December 31, 2011, this item stood at Euro 0 thousand as all projects in progress during 2011 were completed at December 31, 2011.

The amortisation for intangible assets with finite useful life stood at Euro 4,056 thousand.

9.13 Deferred tax assets

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Deferred tax assets	4,799	5,456	(657)
Total	**4,799**	**5,456**	**(657)**

Changes in deferred tax assets during 2011 are shown in the following table:

Description	*Dec. 31, 2010*	*Increases*	*Utilisation*	*Exchange rate effect from consolidation*	*Dec. 31, 2011*
Deferred tax assets	5,456	4,589	(5,340)	99	4,799
Total	**5,456**	**4,589**	**(5,340)**	**99**	**4,799**

The following table shows a breakdown of deferred tax assets at December 31, 2011.

Description of taxable item	*Dec. 31, 2011*	*2011 tax rate*	*Tax recognised in 2011*
Taxed allowance for impairment	200	27.5%	55
Independent auditors' fees	52	31.4%	16
Provisions	5,882	Various %	1,891
Unissued credit notes	1,266	Various %	437
Expenses for Red Circle 2009 capital increase	40	27.5%	11
Unrealised exchange rate losses	183	Various %	50
2009 IPO costs	2,516	27.5%	692
Fair value derivatives	1,218	27.5%	335
Profit in stock	793	45%	356
Other items	2,748	Various %	955
Total	**14,898**		**4,799**

Deferred tax assets decreased by 12% from Euro 5,456 thousand at December 31, 2010 to Euro 4,799 thousand at December 31, 2011.

Deferred tax assets at December 31, 2011 were recognised in relation to:

- the taxed allowance for impairment;
- the provisions for obsolete inventories;
- the provisions for risks and charges (provisions for disputes, provisions for fraud and provisions for theft and loss, respectively);
- unissued and non-deductible credit notes;
- expenditure on the share capital increase for entry of Red Circle S.r.l. Unipersonale as a Shareholder, which took place during 2009;
- unrealised exchange rate losses;
- unrealised exchange rate gains;
- IPO costs incurred in 2009 for the process of listing on the Mercato Telematico Azionario, the Italian screen-based trading system which is organised and managed by Borsa Italiana S.p.A.;
- fair value derivatives at December 31, 2011;

- independent auditors' fees;
- profit in stock at December 31, 2011;
- others mainly comprising the royalties reinvoiced by the Parent YOOX S.p.A. to the subsidiary YOOX Corp..

The deferred tax assets recognised on Allowances for impairment, Provisions for obsolete inventories and Provisions for risks and charges also include the amount relating to the provisions recorded by the Group's foreign subsidiaries.

9.14 Other non-current financial assets

Other non-current financial assets totalled Euro 610 thousand at December 31, 2011 (Euro 507 thousand at December 31, 2010) and mainly relate to guarantee deposits, as broken down below:

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Guarantee deposits	301	191	110
Paymentech US deposit	309	299	10
JP Morgan time deposit	-	17	(17)
Total	**610**	**507**	**103**

Guarantee deposits at December 31, 2011 relate to the signature of leases and contracts for the supply of electricity and gas, and to the existing relationships with Paymentech relating to retentions to guarantee the repayments due for returns made against sales. 2011 saw an increase of Euro 103 thousand (20%). Other non-current financial assets are due over more than five years.

9.15 Inventories

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	Change
Inventories	101,862	76,311	25,551
Total	**101,862**	**76,311**	**25,551**

Inventories at December 31, 2011 and December 31, 2010 break down as follows:

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Inventories of raw materials, consumables and supplies	1,058	376	682
Total	**1,058**	**376**	**682**
Finished products and goods	106,415	81,980	24,435
Provision for obsolete finished products and goods	(5,612)	(6,045)	433
Total	**100,803**	**75,935**	**24,868**
Total net inventories	**101,862**	**76,311**	**25,551**

Inventories rose by 33.5% from Euro 76,311 thousand at December 31, 2010 to Euro 101,862 thousand at December 31, 2011, and relate to goods that have been purchased for subsequent resale online.

The increase that can be observed is only partly connected to the growth in sales in 2011. The Group's business model makes provision for the early procurement of the goods which may take place in the year prior to the sales season.

Goods from previous collections and/or obsolete goods are written down with a Provision for obsolete inventories, calculated using the estimated realisable value of the goods.

The amount of the provision in 2011 for obsolete inventories and changes in the provision are shown below:

Description	*Dec. 31, 2010*	*Increases*	*Decreases*	*Exchange rate effect from consolidation*	*Dec. 31, 2011*
Provision for obsolete inventories	6,045	-	(535)	102	5,612
Total	**6,045**	**-**	**(535)**	**102**	**5,612**

The recognised provision for obsolete inventories has a carrying amount deemed appropriate for the actual quantities of obsolete or slow-moving goods.

9.16 Trade receivables

The breakdown of trade receivables at December 31, 2011 is as follows:

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Due from customers	3,700	3,963	(263)
Other trade receivables	4,625	5,501	(876)
Allowance for impairment	(80)	(80)	-
Total	**8,245**	**9,384**	**(1,139)**

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 2011:

Description	*Dec. 31, 2010*	*Increases*	*Decreases*	*Dec. 31, 2011*
Allowance for impairment	80	-	-	80
Total	**80**	**-**	**-**	**80**

The Allowance for impairment covers specific risks relating to unpaid receivables and other receivables not considered recoverable. Provisions made during the various periods adjust the receivables to their estimated realisable value. During 2011, no further provision had to be made to the allowance for impairment which remained unchanged compared with December 31, 2010.

Pursuant to IFRS 7, Note 10 provides information on the maximum credit risk classed according to due dates, gross of the Allowance for impairment.

9.17 Other current assets

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Other current assets	4,694	7,318	(2,624)
Total	**4,694**	**7,318**	**(2,624)**

The following is a breakdown of other current assets at December 31, 2011:

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Other receivables	1,629	3,380	(1,751)
Allowance for impairment – receivables from others	(221)	(221)	-
Advances to suppliers	114	513	(399)
Travel and payroll advances to employees	98	4	94
Due from acquirers	0	1,724	(1,724)
Prepayments and accrued income	1,283	988	295
Tax receivables	1,791	901	890
Hedging derivatives	-	29	(29)
Total	**4,694**	**7,318**	**(2,624)**

“Other receivables” includes:

- mainly credit notes received from suppliers for which the latter must still refund money to the Company and from advances to the supplier for the purchase of goods for which the corresponding invoices have not yet been received (e.g.: payments on order, pre-payments);
- Euro 216 thousand in receivables for sums paid to the Parent’s tax representative in Greece and fully impaired.

The Allowance for impairment – receivables from others, as previously mentioned, relates to the loan to the Greek tax representative, which is deemed unrecoverable.

Advances to suppliers shows the advances made to suppliers for services acquired in 2011 and for which the suppliers have yet to provide the service.

Accrued income mainly includes costs of future years whose financial manifestation has already taken place during 2011. It mainly involves software licence fees, insurance costs, lease costs, accrued income for royalties paid for using brands and accrued income for professional consultancies. The increase compared with 2010 is consistent with the increase in business volumes.

Tax receivables, which are fully recoverable within one year, mainly comprise VAT credits.

9.18 Cash and cash equivalents and current financial assets

The breakdown of Cash and cash equivalents at December 31, 2011 is as follows:

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Bank and postal accounts	22,734	24,180	(1,446)
Cash and cash equivalents on hand	8	8	0
Total	**22,743**	**24,188**	**(1,445)**

The balance, entirely denominated in Euro except where expressly indicated, represents the cash and cash equivalents on hand at year end.

The following is a breakdown of current financial assets at December 31, 2011:

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Banca Pop. di Novara securities account	-	5,000	(5,000)
Adjustment to the Amortised Cost of current financial assets	-	82	(82)
Due from acquirers	5,466	-	5,466
Total current financial assets	**5,466**	**5,082**	**384**

9.19 Equity attributable to owners of the Parent

The breakdown of changes in equity at December 31, 2011 is presented in a separate schedule.

The share capital of Euro 531 thousand at December 31, 2011 (Euro 518 thousand at December 31, 2010) increased over the course of 2011 following the exercise of the stock option on the part of the beneficiaries in question.
On January 17, 2011, 104,000 ordinary shares were assigned following the exercise of 2,000 options relating to the 2007-2012 stock option plan, on January 28, 2011, 508,716 ordinary shares were assigned following the exercise, in December 2010, of 9,783 options relating to the 2001-2003, 2003-2005 and 2006-2008 stock option plans, on February 14, 2011, 104,000 ordinary shares were assigned following the exercise of 2,000 options relating to the 2007-2012 stock option plan, on March 14, 2011, 138,632 ordinary shares were assigned following the exercise of 2,666 options relating to the 2007-2012 stock option plan, on April 14, 2011, 63,856 ordinary shares were assigned following the exercise of 1,228 options relating to the 2007-2012 stock option plan, on May 13, 2011, 93,600 ordinary shares were assigned following the exercise of 1,800 options relating to the 2007-2012 stock option plan, on July 14, 2011, 195,780 ordinary shares were assigned following the exercise of 3,765 options relating to the 2001-2003, 2006-2008 and 2007-2012 stock option plans, on August 11, 2011, 10,400 ordinary shares were assigned following the exercise of 200 options relating to the 2009-2014 stock option plan, on October 14, 2011, 81,172 ordinary shares were assigned following the exercise of 1,561 options relating to the 2007-2012 and 2009-2014 stock option plans, on November 14, 2011, 5,200 shares were assigned following the exercise of 100 options relating to the 2007-2012 stock option plan, on December 14, 2011, 5,200 ordinary shares were assigned following the exercise of 100 options relating to the 2007-2012 stock option plan, for a total of Euro 13 thousand.

The reserves are composed as follows:

- the share premium reserve was Euro 57,151 thousand at December 31, 2011 (Euro 55,390 thousand at December 31, 2010); this reserve increased over 2011 following the exercise of the stock option on the part of the beneficiaries in question. On January 17, 2011, 104,000 ordinary shares were assigned following the exercise of 2,000 options relating to the 2007-2012 stock option plan, on January 28, 2011, 508,716 ordinary shares were assigned following the exercise in December 2010 of 9,783 options relating to the 2001-2003, 2003-2005 and 2006-2008 stock option plans, on February 14, 2011, 104,000 ordinary shares were assigned following the exercise of 2,000 options relating to the 2007-2012 stock option plan, on March 14, 2011, 138,632 ordinary shares were assigned following the exercise of 2,666 options relating to the 2007-2012 stock option plan, on April 14, 2011, 63,856 ordinary shares were assigned following the exercise of 1,228 options relating to the 2007-2012 stock option plan, on May 13, 2011, 93,600 ordinary shares were assigned following the exercise of 1,800 options relating to the 2007-2012 stock option plan, on July 14, 2011, 195,780 ordinary shares were assigned following the exercise of 3,765 options relating to the 2001-2003, 2006-2008 and 2007-2012 stock option plans, on August 11, 2011, 10,400 ordinary shares were assigned following the exercise of 200 options relating to the 2009-2014 stock option plan, on October 14, 2011, 81,172 ordinary shares were assigned following the exercise of 1,561 options relating to the 2007-2012 and 2009-2014 stock option plans, on November 14, 2011, 5,200 shares were assigned following the exercise of 100 options relating to the 2007-2012 stock option plan, on December 14, 2011, 5,200 ordinary shares were assigned following the exercise of 100 options relating to the 2007-2012 stock option plan, for a total of Euro 2,029 thousand. The increase in the share premium reserve was recognised net of Euro 269 thousand in deferred tax assets accrued in 2009 and since released pursuant to IAS 32, and totalled Euro 1,760 thousand net of deferred taxes;

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

- the translation reserve, which had a positive balance of Euro 963 thousand at December 31, 2011 (compared with Euro 313 thousand at December 31, 2010), reflects exchange rate differences arising from the translation of financial statements denominated in foreign currency. There was an increase of Euro 650 thousand in the reserve in 2011;

- the reserve for future share capital increases and the share premium reserve, which amounted to Euro 177 thousand at December 31, 2011 (Euro 935 thousand at December 31, 2010), includes liabilities to individuals who had paid to exercise stock options at December 31, 2011, but to whom the Company had not made the corresponding ordinary shares available by the end of the year;

- the reserve for purchasing treasury shares equal to a negative balance of Euro 1,315 thousand (negative balance of Euro 362 thousand at December 31, 2010). A share purchase programme was set up in order to comply with the decision of the meeting on October 7, 2009 and the Board of Directors on July 1, 2010. The share purchase programme was aimed at acquiring sufficient shares for the 2009-2014 incentive plan for employees of the Parent and its subsidiaries. Specifically, in their meeting of May 5, 2011, YOOX S.p.A. Shareholders granted authorisation to buy and sell treasury shares pursuant to Articles 2357 and 2357-*ter* of the Italian Civil Code and Article 132 of Legislative Decree 58/1998 and related implementation provisions. Specifically and in compliance with the YOOX S.p.A. Shareholders' resolution of May 5, 2011, the programme refers to the purchase of YOOX S.p.A. ordinary shares, with no indication of par value, up to a maximum amount of 250,000 ordinary shares, for a total maximum amount of Euro 3,000,000. Under the scope of the treasury share purchase scheme servicing the YOOX S.p.A. 2009-2014 Incentive Scheme, the Company purchased:

    - in the period from July 2, 2010 to July 7, 2010, 62,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 5.836485 per share including commission, for a total of Euro 361,862.06;
    - in the period from August 5, 2011 to August 8, 2011, 60,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.594572 per share including commission, for a total of Euro 575,674.30;
    - on September 6, 2011, 5,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.5095 per share including commission, for a total of Euro 47,547.50;
    - on October 4, 2011, 27,331 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.500947 per share including commission, for a total of Euro 259,670.38;
    - on November 17, 2011, 7,669 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.276056 per share including commission, for a total of Euro 71,138.08.

  At December 31, 2011, the Company holds 162,000 treasury shares in its portfolio equal to 0.3052% of the share capital.
  At December 31, 2011, 11 of the 62 employees who were granted options lost this right as they resigned. This led to the forfeiture of 36,937 ordinary shares.

  The purchase of treasury shares is recognised as a direct decrease in equity in compliance with the provisions of IAS 32.

- other reserves, equal to Euro 11,102 thousand at December 31, 2011 (Euro 7,957 thousand at December 31, 2010) include the fair value reserve for stock options at Euro 11,984 thousand at December 31, 2011 (Euro 7,957 thousand at December 31, 2010) and the hedging reserve equal to a negative Euro 883 thousand (Euro 0 thousand at December 31, 2010);

- retained earnings (losses carried forward) amount to a loss of Euro 3,752 thousand at December 31, 2011 (a negative figure of Euro 5,364 thousand at December 31, 2010), an increase of Euro 9,117 thousand due to the allocation of profit for 2010.

9.20 Stock option plans and company incentive plans

Granting of stock options

Following approval of the share-split at the Extraordinary Shareholders' Meeting of the Parent on September 8, 2009, beneficiaries of stock option plans exercising their options are entitled to 52 ordinary shares of the Company for every option exercised.

With reference to the stock option plans and company incentive plans involving a total of 16,914,664 shares reserved for employees, collaborators, consultants and directors of the Company and its subsidiaries, at December 31, 2011, the Board of Directors had granted the following options, outlined in the table below:

Stock option plans	*Granted (a)*	*Forfeited (b)*	*Exercised (c)*	*Total granted, not forfeited or not exercised (d = a-b-c)*	*Granted, not vested*	*Granted, vested, not exercisable*	*Granted, vested and exercisable*
2001–2003	80,575	31,560	39,174	9,841	-	-	9,841
2003–2005	36,760	3,000	11,942	21,818	-	840	20,978
2004–2006	32,319	12,650	5,313	14,356	1,700	-	12,656
2006–2008	31,303	200	14,150	16,953	-	-	16,953
2007–2012	102,600	3,650	22,266	76,684	-	-	76,684
2009–2014	72,003	4,942	361	66,700	47,715	-	18,985
Total	**355,560**	**56,002**	**93,206**	**206,352**	**49,415**	**840**	**156,097**

At December 31, 2011, 19,724 options may be granted under the above plans.

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

	Strike prices[20]												
	€ 15.91	**€ 46.48**	**€ 59.17**	**€ 106.50**	**€ 131.78**	**€ 277.68**	**€ 305.24**	**€ 360.88**	**€ 407.16**	**€ 489.32**	**€ 521.56**	**€ 578.24**	**Total**
2001-2003	1,250	5,091	-	3,500	-	-	-	-	-	-	-	-	9,841
2003-2005	-	19,978	-	1,840	-	-	-	-	-	-	-	-	21,818
2004-2006	-	10,156	-	2,500	1,700	-	-	-	-	-	-	-	14,356
2006-2008	-	-	16,953	-	-	-	-	-	-	-	-	-	16,953
2007-2012	-	-	73,334	3,350	-	-	-	-	-	-	-	-	76,684
2009-2014	-	-	-	-	-	42,118	12,841	963	1,625	1,926	2,889	4,338	66,700
Total	**1,250**	**35,225**	**90,287**	**11,190**	**1,700**	**42,118**	**12,841**	**963**	**1,625**	**1,926**	**2,889**	**4,338**	**206,352**

With reference to the 2009-2014 stock option plan:

- on February 1, 2011, the condition precedent was verified relating to the granting to one beneficiary of 963 options valid for the subscription of 50,076 shares at a subscription price per share of Euro 6.94, which is calculated by taking the weighted average of the prices recorded by the shares on the Mercato Telematico Azionario (MTA), the Italian screen-based trading system organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the grant date;

- on February 9, 2011, the Board of Directors of the Parent granted 1,926 options, in favour of one beneficiary, valid for the subscription of 100,152 shares at a subscription price per share of Euro 9.41, which is calculated by taking the weighted average of the prices recorded by the shares on the Mercato Telematico Azionario (MTA), organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the grant date;

- on May 9, 2011, the Board of Directors of the Parent granted 4,338 options, in favour of five beneficiaries, valid for the subscription of 225,576 shares at a subscription price per share of Euro 11.12, which is calculated by taking the weighted average of the prices recorded by the shares on the

[20] The price indicated in the table is the strike price of the options. To obtain the strike price of the individual shares it is necessary to divide by 52 from the time which, as specified above, through the effect of the approval of the share split by the Parent's Extraordinary Shareholders' Meeting of September 8, 2009, the beneficiaries of the stock option plans will have the right, if they exercise their option rights, to obtain 52 ordinary Company shares for each option right exercised.

Mercato Telematico Azionario (MTA), organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the grant date;

- on September 20, 2011, the Board of Directors of the Parent granted 2,889 options, in favour of two beneficiaries, valid for the subscription of 150,228 shares at a subscription price per share of Euro 10.03, which is calculated by taking the weighted average of the prices recorded by the shares on the Mercato Telematico Azionario (MTA), organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the grant date.

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

Granting of shares

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

A treasury share purchase programme was set up for this purpose in order to comply with the decision of the Shareholders in their meeting on October 7, 2009 and the Board of Directors on July 1, 2010. The programme was aimed at acquiring sufficient shares for the 2009-2014 incentive plan for employees of the Parent and its subsidiaries.

Specifically, in their meeting of May 5, 2011, the YOOX S.p.A. Shareholders granted authorisation to buy and sell treasury shares, pursuant to Articles 2357 and 2357-*ter* of the Italian Civil Code. and Article 132 of Legislative Decree 58/1998 and related implementation provisions.

Specifically and in compliance with the YOOX S.p.A. Shareholders' resolution of May 5, 2011, the programme refers to the purchase of YOOX S.p.A. ordinary shares, with no indication of par value, up to a maximum amount of 250,000 ordinary shares, for a total maximum amount of Euro 3,000,000.

Under the scope of the treasury shares purchase programme to service the YOOX S.p.A. 2009-2014 incentive plan, the Company bought:

- in the period from July 2, 2010 to July 7, 2010, 62,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 5.836485 per share including commission, for a total of Euro 361,862.06;
- in the period from August 5, 2011 to August 8, 2011, 60,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.594572 per share including commission, for a total of Euro 575,674.30;
- on September 6, 2011, 5,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.5095 per share including commission, for a total of Euro 47,547.50;
- on October 4, 2011, 27,331 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.500947 per share including commission, for a total of Euro 259,670.38;
- on November 17, 2011, 7,669 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.276056 per share including commission, for a total of Euro 71,138.08;

At December 31, 2011, the Company holds 162,000 own shares in its portfolio equal to 0.3052% of the share capital.

At December 31, 2011, 11 of the 62 employees who were granted options lost this right as they resigned. This led to the forfeiture of 36,937 ordinary shares.

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

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

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

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

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

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

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

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

Setting-up the stock option plans and Company incentive plans and subsequent changes

With regard to stock option plans and company incentive plans involving a total of 17,162,652 shares reserved for the employees, collaborators, consultants and directors of the Company and its subsidiaries, the following options were approved at September 30, 2011:

- 21,463 options, corresponding to 1,116,076 shares, by the Extraordinary Shareholders' Meeting of March 22, 2000, as subsequently amended by the Extraordinary Shareholders' Meetings of October 25, 2000, February 26, 2002 and May 7, 2003 (2001-2003 plan);
- 28,537 options, corresponding to 1,483,924 shares, by the Extraordinary Shareholders' Meeting of July 31, 2000, as subsequently amended by the Extraordinary Shareholders' Meetings of October 25, 2000, February 26, 2002 and May 7, 2003 (2001-2003 plan);
- 33,760 options, corresponding to 1,755,520 shares, by the Extraordinary Shareholders' Meeting of July 18, 2002, as subsequently amended by the Extraordinary Shareholders' Meeting of December 2, 2005 (2003-2005 plan);
- 19,669 options, corresponding to 1,022,788 shares, by the Extraordinary Shareholders' Meeting of December 10, 2003, as subsequently amended by the Extraordinary Shareholders' Meeting of December 2, 2005 (2004-2006 plan);
- 31,303 options, corresponding to 1,627,756 shares, by the Extraordinary Shareholders' Meeting of December 2, 2005, as subsequently amended by the Extraordinary Shareholders' Meeting of July 12, 2007 (2006-2008 plan);
- 104,319 options, corresponding to 5,424,588 shares, by the Extraordinary Shareholders' Meeting of May 16, 2007 (2007-2012 plan)[21];
- 4,732,000 shares, of which up to 85,000 options (2009-2014 plan), by the Extraordinary Shareholders' Meeting of September 8, 2009, are valid for subscription for 4,420,000 shares and up to 312,000 shares may be granted (2009-2014 incentive plan).

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

At December 31, 2011, financial liabilities amounted to Euro 14,049 thousand and mainly comprised the partial use of the medium/long-term credit line agreed with the Banca Nazionale del Lavoro for the financing of the investment in the techno-logistics platform to the tune of Euro 12,355 thousand. The remaining financial liabilities refer to finance leases with BNP Paribas Lease Group totalling Euro 1,463 thousand (of which Euro 696 thousand is current) to finance investments in technology, and the residual subsidised loan provided by Simest (Società Italiana per le Imprese all'Estero) of Euro 231 thousand (of which Euro 154 is current).

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Medium-long term financial liabilities	11,522	846	10,676
Bank loans and other current financial liabilities	2,527	5,600	(3,073)
Total	**14,049**	**6,446**	**7,603**

On March 10, 2011, a loan was agreed with the Banca Nazionale del Lavoro (the "Bank") for Euro 15,000 thousand, designated to support investments planned for the period 2010–2012 by YOOX S.p.A. and specifically involving the creation of an automated warehouse in the area of the Logistics Centre in Bologna.

YOOX S.p.A. is obliged to pay the "Bank" interest on the loan, calculated according to the effective number of days, quarterly in arrears, with 365 as the divider, at the nominal annual rate equal to the interbank rate for the three-month Euribor. The above rate will be increased with an annual 1.20 point spread in favour of the "Bank". Starting from the recognition in the consolidated financial statements at December 31, 2010, the spread can change automatically, on the basis of the accounting figures in the financial statements of YOOX S.p.A. and in the interim report, determined starting from the financial statements at December 31, 2010, in relation to the

[21] The Board of Directors took partial advantage of the powers conferred pursuant to Article 2443 of the Italian Civil Code and increased the share capital to service the stock option plan by means of the issue of up to 5,176,600 new ordinary shares, which correspond to 99,550 options.

performance of the ratio between the Net Financial Position and EBITDA, excluding incentive plans (debt cover ratio) as calculated and notified by YOOX S.p.A. to the "Bank" and verified, under the terms indicated below:

Parameter	Spread
a) more than or equal to 2:	1.40% per year
b) less than 2:	1.20% per annum

If at the planned detection dates, the Net Financial Position were "positive" together with the detection of an EBITDA excluding incentive plans of more than zero, the spread applied would be 1.00% per year.
The modification of the spread, under the above terms, will run from the first period of interest immediately following each of the detections.
The above-mentioned financial parameters will be recorded half-yearly. Specifically, they should be calculated at the end of December each year, with reference to the data from the consolidated financial statements of YOOX S.p.A. and at June 30 each year, on the basis of the directors' reports, containing all the accounting data of YOOX S.p.A. for each half-year in relation to the statement of financial position, income statement and statement of cash flows, without prejudice to the EBITDA, excluding the incentive plans, calculated on a rolling basis, in other words from June 30 of the previous year to June 30 of the year in question.
The above-mentioned financial parameters have been detected and notified to the "Bank" for the first time based on the financial statements at December 31, 2010. For this purpose YOOX S.p.A. was obliged to send the "Bank" the Group's consolidated financial statements within 10 workings days following their approval by the YOOX Board of Directors.

YOOX S.p.A. has also paid the Bank, at the same time that the contract was agreed, a one-off licence fee payment of 0.7% of the amount of the loan including preliminary investigation costs. This amount is considered exhaustive and therefore no other fee can be requested by way of licence fee or preliminary investigation rights with reference to the granting of this loan.

The loan will last for 60 months and should be used within 15 months of the date the loan agreement is signed and will be regulated according to the terms and conditions set out in Article 1 of the specification.
The loan should be repaid in quarterly instalments in arrears, expiring on March 10/June 10/September 10 and December 10 every year. The start of the repayment of the loan is fixed for June 10, 2012 and therefore the first instalment will be due on September 10, 2012 and the last on March 10, 2016.
With regard to the above, YOOX S.p.A. is obliged to pay the "Bank" 15 quarterly instalments, made up of the principal, as well as the interest calculated at the rate determined.
The interest relating to the period of use will also be paid quarterly in arrears at the aforesaid deadlines.

Financial covenants

The Company, also for the purposes of Article 1461 of the Italian Civil Code, recognises the essential nature of complying with the following financial covenants, with respect to the consolidated financial statements in the name of YOOX S.p.A., accepting that the "Bank" can terminate the contract if the financial situation shown in the consolidated financial statements does not comply with the following covenants, or even with only one of them, at the dates listed below:

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

YOOX S.p.A. will notify the "Bank" of the above financial covenants annually and, starting from the first half of 2011, half-yearly as well. Specifically, they should be calculated at the end of December each year, with reference to the data from the consolidated financial statements of YOOX S.p.A. and, starting from the first half of 2011, at June 30 each year, on the basis of the directors' reports, containing all the accounting data of YOOX S.p.A. for each half-year in relation to the statement of financial position, income statement and statement of cash flows, without prejudice to the EBITDA, excluding the incentive plans, calculated on a rolling basis, in other words from June 30 of this year to June 30 of the year in question.
The above financial covenants have been recorded for the first time according to the financial statements at December 31, 2010. For this purpose, YOOX S.p.A. is obliged to give the "Bank" the YOOX annual consolidated financial statements within 10 working days following their approval by the Shareholders and the YOOX consolidated quarterly financial statements within 10 days following their approval by the Board of Directors.

If even only one of the above covenants is not complied with, YOOX S.p.A., without prejudice to the right of the "Bank" to terminate the contract, is committed to agree the financial and management operations with the "Bank" within 30 working days of the actual request, to ensure that the covenants in question come under the set terms, or, alternatively, to repay the loan in advance at the due date of the relevant period of interest.

In relation to the above-mentioned loan agreed with Banca Nazionale del Lavoro, at December 31, 2011, like at December 31, 2010, the above-mentioned financial covenants were complied with by the Group.

The syndicated bank loan (lead bank: UniCredit Corporate Banking S.p.A.) was fully repaid on December 15, 2009. This credit facility remains unused at December 31, 2011.

The terms of the above loan were renegotiated via an agreement modifying the stand-by revolving syndicated loan contract on February 17, 2010, applicable from December 15, 2009.

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

The variations resulting from the stand-by revolving syndicated loan agreement of June 16, 2008 are described below. The agreement is dated February 17, 2010 and is effective from December 15, 2009:

a) In accordance with Article 6-*ter* of the Agreement (definitive waiver of use and/or reuse), at the due date of December 15, 2009 fixed in the reduction/repayment plan, the Company hereby declares that it waives, with no penalty, its right to the use of Euro 5,250,000 of the loaned sum, thereby effectively definitively cancelling out this amount from the facility. However, it is understood that, in a partial amendment to Article 2.B (Terms and conditions) of the Agreement, as of December 15, 2009 (i) the credit line available to the Company will amount to Euro 13,125,000 in total, and (ii) the amount of each drawdown will be no less than Euro 375,000, or multiples thereof;

b) In view of point (a) above, and of Article 9 (Amendments to the reduction plan), the banks and the Company hereby declare and recognise by mutual agreement that, as of December 15, 2009, the repayment/reduction plan described under Article 3 (Modalities and conditions of repayment) of the Agreement is amended as follows:

Repayment plan

Date	***Amount***	***Residual liability***
December 15, 2009		13,125,000
June 15, 2010	1,875,000	11,250,000
December 15, 2010	1,875,000	9,375,000
June 15, 2011	1,875,000	7,500,000
December 15, 2011	1,875,000	5,625,000
June 15, 2012	1,875,000	3,750,000
December 15, 2012	1,875,000	1,875,000
June 15, 2013	1,875,000	-

c) In the light of the points (a) and (b) above, the parties hereby recognise and state that Article 3-*bis* (Obligatory early repayment) of the Agreement will no longer apply and shall be deemed to be annulled as of December 15, 2009. Any reference made in the Agreement or its appendices to the aforementioned Article 3-*bis* or its content shall therefore be considered inapplicable;

d) As a partial amendment to Article 14 (Covenants) of the Agreement, the banks and the Company recognise and agree that, as of December 31, 2009, the official consolidated financial statements of the Company, periodically approved, will be drawn up in accordance with International Financial Reporting Standards (IFRS). It is also understood that the indicators below, which are contained in the aforementioned Article 14 of the Agreement, will have the following new definitions:

   1) NFD or NFP (Net Financial Debt or Net Financial Position): is the sum of cash and cash equivalents, other current financial assets, net of bank loans and borrowings and other financial payables due within one year, other current financial liabilities and non-current financial liabilities. Net financial debt is not recognised as an accounting item under Italian GAAP or the IFRS endorsed by the European Union.

2) EBITDA or Gross Operating Profit/(Loss): is profit before depreciation and amortisation, non-recurring expenses, financial income and expenses and income taxes. EBITDA is not recognised as an accounting item under Italian GAAP or the IFRS endorsed by the European Union.

In the event that the Net Financial Position and EBITDA, as defined above, are both positive, the company is considered to be in compliance with the covenants described in a), b) and c) of Article 14 of the Agreement by simply notifying the lead bank – within the 30-day period after the approval date of each of the financial statements – of the levels of the above indicators, without the Compliance Certificate described in the aforementioned Article 14.

At December 31, 2011 and at December 31, 2010, the above conditions (positive Net Financial Position and positive EBITDA) have been met and the Group is therefore automatically deemed to have respected the covenants.

e) The banks and the company hereby agree to eliminate from Article 13 (Obligations) of the Agreement provisions i) and m/3) and to replace them with the following provisions:

f) the company undertakes to inform the lead bank in writing when it takes out a loan, even if equal to or less than Euro 5,000,000.00 (principal), no later than five bank working days from the date the loan was agreed; the company will have the right to take out loans amounting to more than Euro 5,000,000.00 only with the written consent of the banking syndicate, granted via the lead bank, no later than five bank working days from receipt of the request for approval on the part of the company.

Net financial position

The table below gives a breakdown of net financial position at December 31, 2011:

Description	***Dec. 31, 2011***	***Dec. 31, 2010***	***Change***
Cash and cash equivalents	22,743	24,188	(1,445)
Current financial assets	5,466	5,082	384
Other current financial assets	-	29	(29)
Bank loans and other borrowings	(2,527)	(5,600)	3,073
Other current financial liabilities	(1,218)	(26)	(1,192)
Net short-term financial position	**24,463**	**23,672**	**791**
Medium-long term financial liabilities	(11,522)	**(846)**	(10,676)
Net financial position[(1)]	**12,941**	**22,826**	**(9,885)**

(1) Net financial debt (or net financial position) is the sum of cash and cash equivalents, other current financial assets, net of bank loans and borrowings and other financial payables falling due within one year, other current financial liabilities and medium-long term financial liabilities. Net financial debt (or net financial position) is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union. The measurement criterion adopted by the Company might not be consistent with that adopted by other groups, and accordingly, the balance obtained by the Company may not be comparable with those calculated by such groups. For details of the items that make up net financial debt (or net financial position), see the table above in the section "Net financial position". "Other current financial assets" are not governed by the definition of net financial debt (or net financial position) of the CESR. The Group believes this definition should be integrated including claims vs. acquirer and logistics operators from whom cash on delivery is required under "other current financial assets".

During 2011, the Group's net financial position worsened by Euro 9,885 thousand, going from Euro 22,826 thousand at December 31, 2010 to Euro 12,941 thousand at December 31, 2011.

9.22 Employee benefits

This item refers exclusively to the Italian post-employment benefits recognised by the Parent in accordance with current legislation. Changes in defined benefit plans for employees in 2011 are summarised below:

Description	***Dec. 31, 2010***	***Provisions***	***Utilisation***	***Dec. 31, 2011***
Employee benefits	213	10	(10)	213

The main technical, demographic and economic parameters used in the actuarial calculation of the liability for employee benefits at December 31, 2011 are summarised below:

Actuarial assumptions used for the calculations	
Annual probability of death in service	SIM and SIF demographic tables for 2002
Annual probability of death other than by death in service	5%
Discount rate (Euro swap)	Government rates curve at Dec. 31, 2011
Maximum % of accrued post-employment benefits requested in advance	70%
Probability of requests for advances	3.3%
Annual increase in the cost of living	3% per annum

9.23 Deferred tax liabilities

The following table shows the breakdown of, and changes in, deferred tax liabilities at December 31, 2011:

Description	*Dec. 31, 2010*	*Increases*	*Utilisation*	*Dec. 31, 2011*
Deferred tax liabilities	69	126	(112)	83
Total	**69**	**126**	**(112)**	**83**

Description of taxable item	*Dec. 31, 2011*	*2011 tax rate*	*Tax recorded in 2011*
Unrealised exchange rate gains 2011	458	27.5%	126
Total	**458**		**126**

9.24 Provisions for current and non-current risks and charges

This item reflects provisions for estimated current liabilities at December 31, 2011, the timing and extent of which cannot be determined. The following table shows the breakdown of the item and changes in 2011:

Description	*Dec. 31, 2010*	*Increases*	*Adjustments*	*Utilisation*	*Dec. 31, 2011*
Provision for theft and loss	95	94	-	(104)	85
Provision for fines and taxation	-	-	-	-	-
Provision for fraud	615	108	-	(610)	114
Other provisions for risks and charges	167	-	-	(167)	-
Total provisions for current risks and charges	**877**	**203**	**-**	**(881)**	**199**
Provisions for disputes	-	-	-	-	-
Other provisions for risks and charges	116	-	-	(116)	-
Total provisions for non-current risks and charges	**116**	**-**	**-**	**(116)**	**-**
Total provisions for risks and charges	**993**	**203**	**-**	**(997)**	**199**

During the year, Euro 104 thousand from the provision for theft and loss was used, and it was therefore deemed appropriate to proceed with a further accrual of Euro 94 thousand, following a new estimate.

During the year, Euro 610 thousand was utilised from the provision for fraud, and it was therefore deemed appropriate to proceed with a further accrual of Euro 108 thousand, to cover against fraud committed via online sales paid for by credit card. This fraud coverage provision was calculated taking into account the historical incidence of the value of fraud in relation to the value of sales.

9.25 Trade payables

The following table shows a breakdown of trade payables at December 31, 2011:

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Due to suppliers	47,024	37,059	9,965
Credit notes to be received from suppliers	(3,006)	(680)	(2,326)
Invoices to be received from suppliers	18,757	12,517	6,240
Due to credit card operators	18	47	(29)
Total	**62,794**	**48,943**	**13,851**

Trade payables increased by 28.3%, from Euro 48,943 thousand at December 31, 2010 to Euro 62,794 thousand at December 31, 2011.

Trade payables are all payables relating to purchases of goods and services from the Group's suppliers. Payables are recognised at their par value. Since all payables fall due within one year, none are subject to discounting. "Due to suppliers" includes all amounts due to suppliers, both for the supply of finished products and raw materials, and for the supply of intangible assets.

The increase during the year is linked to the rise in sales volumes, which, due to the Group's business model, necessitates the purchase of goods in advance of the selling season.

9.26 Tax liabilities

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

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Current income taxes	310	2,441	(2,130)
Total	**310**	**2,441**	**(2,130)**

During 2011, they decreased by Euro 2,130 thousand, going from Euro 2,441 thousand at December 31, 2010 to Euro 310 thousand at December 31, 2011, through the effect of the payments on account for foreign subsidiaries which took place in 2011.

9.27 Other liabilities

The following table shows a breakdown of liabilities at December 31, 2011:

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Due to social security institutions	1,470	1,435	35
Credit notes to be issued to customers	6,828	5,367	1,461
Due to directors	29	545	(517)
Due to employees	1,249	1,756	(507)
Due to tax representatives	4,220	3,300	920
Other liabilities	4,551	3,477	1,074
Accrued expenses and deferred income	1,372	88	1,285
Total	**19,719**	**15,968**	**3,750**

"Due to social security institutions" reflects contributions payable to social security institutions, mainly on the amounts recognised to employees at year end.

"Due to tax representatives" reflects indirect tax liabilities. Sales carried out in European countries during 2011 and 2010 exceeded the threshold set in Article 41, paragraph1, 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 positions in these countries.

"Other liabilities" include credit notes to be issued to customers since these represent a known liability for sales returns made in 2011. This item increased in 2011 in line with the increase in sales volumes compared with the previous year.

Consolidated statement of cash flows

9.28 Profit for the year, taxes for the year, income taxes paid

Details of consolidated profit for the year, taxes for the year, depreciation and amortisation and other non-monetary items are provided in Notes 9.3, 9.4, 9.5, 9.10 and 9.11, respectively.

In relation to the income tax in 2011 of Euro 6,450 thousand (Euro 5,824 thousand in 2010), payments amounting to Euro 7,910 thousand were made (Euro 9,180 thousand in 2010) 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 in which the Group operates.

9.29 Other net non-monetary income/(expenses)

Other net non-monetary income/(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 (Italian TFR), the measurement at fair value of stock option plans, provisions for risks and charges, capital gains and capital losses, unrealised exchange rate fluctuations and recognised interest income and expense. In relation to these latter, interest received and interest paid are presented separately.

9.30 Change in trade receivables, inventories and trade payables

This item reflects the use or generation of cash relative to net working capital, i.e. changes in trade receivables, inventories and trade payables. Changes in trade payables refer exclusively to supplies of raw materials, goods and services, excluding the change in payables to suppliers of investments, which are reported in the section of the statement of cash flows generated by or used in investing activities.

9.31 Change in other current assets and liabilities

This item reflects the change in all other current assets and liabilities, net of the effects of recognising non-monetary income and expenses, i.e. the change in the balances with a direct effect on the use or generation of cash.

9.32 Acquisition of 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 recognised also includes the change in investment payables.

9.33 Acquisition of intangible assets

Cash flow for acquisition of other intangible assets relates to investments in licences and software and the capitalisation of development costs (for a breakdown of these, see Note 9.13). Capitalisations are classified among Cash flow from/(used in) investing activities since they involve a cash outflow associated with the internal costs incurred (mainly personnel expenses). These outflows were broadly in line with costs capitalised during the year.

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

Other non-current financial assets at December 31, 2011 stood at a total of Euro 610 thousand (Euro 507 thousand at December 31, 2010).
Guarantee deposits at December 31, 2011 relate to the signature of leases and contracts for the supply of electricity and gas, and to the existing relationships with Paymentech relating to reserves to guarantee the repayments due for returns made against sales. 2011 saw an increase of Euro 103 thousand (20%). Other non-current financial assets are due over more than five years.

9.35 Increase in share capital and share premium reserve

For information on total receipts for increases in share capital and the share premium reserve, see section 9.20 (Equity attributable to owners of the Parent).

9.36 Arrangement and repayment of medium-long term financial liabilities

Repayments of other medium-long term financial liabilities relate to loans from banks and other lenders, as described in Note 9.22.

9.37 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 9.22.

10. Disclosure of financial risks

In August 2005, the IASB issued the new accounting standard IFRS 7 – "*Financial instruments: disclosures"* and an amendment to IAS 1 – *"Presentation of the Financial Statements*: *capital disclosures".* IFRS 7 requires additional information on the significance of financial instruments in relation to the performance and financial position of a business.

This information incorporates certain requirements previously included in IAS 32 – *"Financial Instruments: presentation".* The new accounting standard requires further information on the level of risk exposure arising from the use of financial instruments, and a description of the objectives, policies and procedures established by management to manage these risks. The amendment to IAS 1 introduces disclosure requirements in relation to an entity's capital. IFRS 7 and the amendment to IAS 1 came into effect on January 1, 2007.

In accordance with the requirements of IFRS 7, an analysis of the nature and extent of the risks associated with financial instruments to which the Group is exposed is given below, as well as the methodologies used to manage these risks.

The main risks are reported and discussed by the Group's senior management in order to put in place provisions to cover and insure against them and to measure residual risk.

Market risk

Market risk arises from the probability of changes in the fair value of the future cash flows deriving from a financial instrument due to fluctuations in market prices.

In the Group's consolidated financial statements at December 31, 2011, market risk takes the form of currency risk and interest rate risk.

Currency risk

The Euro is the functional and presentation currency of the Group.

The YOOX Group operates internationally, and the sale of goods in countries whose currency is not the Euro exposes the Group to currency risk, in terms of both transactions and translation. Group policy is to concentrate all currency risk within the Parent YOOX S.p.A. Since the YOOX Group is essentially an exporter, the main risk exposure consists in depreciation of foreign currencies against the Euro. The Group is principally exposed to the US dollar, the Japanese yen and the UK pound, and only marginally to the Chinese renminbi. During 2011, the incidence of gains and losses on currency was positive by Euro 122 thousand of which Euro 442 thousand was for gains adjusting revenue and Euro 320 thousand for financial expenses under exchange rate losses.

Currency transaction risks were hedged in 2011 by forward sales contracts arranged with the leading domestic and international banks used by YOOX on a daily basis. Outstanding contracts, namely those negotiated during the year, only hedge receivables denominated in US dollars, for the equivalent of Euro 12,495 thousand at December 31, 2011 (Euro 2,220 thousand at December 31, 2010) and in Japanese yen, for the equivalent of Euro 2,892 thousand (Euro 276 thousand at December 31, 2010). It was not considered necessary to hedge exposure to the UK pound, since the amount involved was not significant. No speculative derivative contracts were entered into in 2011.

Group companies are located in countries that are not part of the European Monetary Union, in particular the US, Japan, China and Hong Kong. Since, as mentioned above, the Group's functional currency is the Euro, the income statements of these companies are translated into Euro at the average exchange rate for the year and, considering holding revenue and profits constant in their local currencies, changes in the exchange rates concerned may have an effect on the Euro amount of their revenue, costs and financial results. This translation effect at December 31, 2011 had a positive effect by Euro 963 thousand.

The Euro value of assets and liabilities of consolidated companies whose functional currency is not the Euro may vary depending on exchange rate movements. In accordance with IFRS, the effects of these changes are recognised directly in equity, under the Translation reserve.

The currency risk has been measured using a sensitivity analysis and the potential effects of exchange rate fluctuations on the financial statements at December 31, 2011 have been analysed, particularly in relation to:

- foreign currency receivables and payables;
- financial assets held to hedge currency risk (whether subject to hedge accounting rules or not);
- cash.

The following tables provide a summary of:

a) currency risk exposure at December 31, 2011

Thousand Euro	December 31, 2011				
	USD	**JPY**	**GBP**	**CNY**	**OTHER**
Receivables	177	59	740	50	-
Payables	(269)	(13)	(1,628)	18	278
Cash	958	2	149	52	
Gross exposure in the statement of financial position	**866**	**48**	**(739)**	**120**	**278**
Hedging contracts	(12,495)	(2,892)	-	-	-
Net exposure	**(11,629)**	**(2,844)**	**(739)**	**120**	**278**

b) the sensitivity analysis at December 31, 2011, assuming a variation in currencies over the course of the year equal to +10% and -10% and a variation of +5% and -5% compared to the European Central Bank exchange rate is as follows:

1st currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	(16)	20	(8)	9
Payables	24	(30)	13	(14)
Cash	(87)	106	(46)	50
USD	(79)	96	(41)	46

2nd currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	(5)	7	(3)	3
Payables	1	(1)	1	(1)
Cash	(0)	0	(0)	0
JPY	(4)	5	(2)	3

3rd currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	(67)	82	(35)	39
Payables	148	(181)	78	(86)
Cash	(14)	17	(7)	8
GBP	67	(82)	35	(39)

4th currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	(5)	6	(2)	3
Payables	(2)	2	(1)	1
Cash	(5)	6	(2)	3
CNY	(11)	13	(6)	6

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

Appreciation of the Euro by 10%

Thousand Euro	Equity	Profit or loss
December 31, 2011		
USD	-	(79)
JPY	-	(4)
GBP	-	67
CNY	-	-
Hedging contracts	-	-
USD	551	-
JPY	124	-
Total	**675**	**(16)**

Depreciation of the Euro by 10%

Thousand Euro	Equity	Profit or loss
December 31, 2011		
USD	-	96
JPY	-	5
GBP	-	(82)
CNY	-	-
Hedging contracts	-	-
USD	(2,104)	-
JPY	(374)	-
Total	**(2,478)**	**19**

Appreciation of the Euro by 5%

Thousand Euro	Equity	Profit or loss
December 31, 2011		
USD	-	(41)
JPY	-	(2)
GBP	-	35
CNY	-	-
Hedging contracts	-	-
USD	(18)	-
JPY	(8)	-
Total	**(26)**	**(8)**

Depreciation of the Euro by 5%

Thousand Euro	Equity	Profit or loss
December 31, 2011		
USD	-	46
JPY	-	3
GBP	-	(39)
CNY	-	-
Hedging contracts	-	-
USD	(1,335)	-
JPY	92	-
Total	**(1,243)**	**9**

The financial instruments in place at December 31, 2011 are forward contracts stated at fair value in the equity reserve, as set out in IAS 39.

Interest rate risk

The interest rate risk arises when a change in interest rates adversely affects performance for the year.
Financing and credit lines available to the YOOX Group are indexed at the Euribor, therefore the Group is exposed to an increase in interest rates. During 2011, the YOOX Group felt it advisable to manage the interest rate risk through recourse to an interest rate swap covering medium/long-term financing only agreed for financing the new techno-logistics platform.
Interest expense on financing for 2011 came to Euro 230 thousand, an increase compared with 2010 following greater use of credit lines. The interest cost of the majority of the Group's bank borrowing is roughly equal to Euribor plus a spread of about 1.50%, in line with the previous year.

The sensitivity analysis was applied to the items in the statement of financial position that could vary as a result of interest rate fluctuations.

The following tables provide a summary of:

a) interest rate risk exposure at December 31, 2011

Thousand Euro	**December 31, 2011**
Financial receivables	-
Financial payables	(14,050)
Gross exposure in the statement of financial position	**14,050**
Hedging contracts	12,300
Net exposure	**1,750**

b) the sensitivity analysis at December 31, 2011, assuming a variation in the Euribor at 3 months during the year equal to +10% and -10% and a variation equal to +5% and -5%

Appreciation in the 3-month Euribor of 10%

Thousand Euro	**Equity**	**Profit or loss**
December 31, 2011		
Financial receivables	-	-
Financial payables	-	(26)
Hedging contracts	(420)	-
Total	**(420)**	**(26)**

Depreciation in the 3-month Euribor of 10%

Thousand Euro	**Equity**	**Profit or loss**
December 31, 2011		
Financial receivables	-	-
Financial payables	-	3
Hedging contracts	(470)	-
Total	**(470)**	**3**

Appreciation in the 3-month Euribor of 5%

Thousand Euro	**Equity**	**Profit or loss**
December 31, 2011		
Financial receivables	-	-
Financial payables	-	(13)
Hedging contracts	(443)	-
Total	**(443)**	**(13)**

Depreciation in the 3-month Euribor of 5%

Thousand Euro	**Equity**	**Profit or loss**
December 31, 2011		
Financial receivables	-	-
Financial payables	-	(12)
Hedging contracts	(445)	-
Total	**(445)**	**(12)**

The financial instruments in place at December 31, 2011 are interest rate swaps at fair value in the equity reserve, as set out in IAS 39.

Liquidity risk

The Group aims to maintain appropriate levels of liquidity and available funds to sustain the growth of the business and ensure the timely fulfilment of its obligations. Specifically, YOOX, on account of the dynamic nature of the business in which it operates, uses both committed credit lines, i.e. they do not include the possibility of the lenders asking for repayment before a predetermined date, and revolving credit lines, i.e. the Group has the possibility of repaying individual drawdowns, thus rebuilding its available cash.

YOOX ended 2011 with a positive net financial position of Euro 12,941 thousand of which Euro 22,743 was Cash and cash equivalents.

The table below illustrates the credit lines available to the Group and their drawdown. Over the 12 months loans amounting to Euro 2,526 thousand have to be repaid.

Thousand Euro	Currency	Nominal interest rate	Expiry year	Nominal value Dec. 31, 2011	Drawdown at Dec. 31, 2011
Guaranteed loans					
Syndicated bank loan					
Simest	Euro	1.3753%	2013	232	232
BNL bank loan	Euro	Euribor +1.20%	2016	15,000	12,355
Finance lease liabilities	Euro	Euribor +2%	2016	2,463	1,463
Total loans	**Euro**			**23,320**	**14,050**

Credit risk with financial counterparties

The YOOX Group has obtained lines of credit from leading Italian and international banks of high standing. The balances on the current accounts held in the name of YOOX S.p.A. with banks not based in Italy are insignificant.

The Group's foreign companies have commercial relations with primary lending institutions in the countries in which they operate. Specifically, YOOX Japan makes use of JP Morgan Chase Manhattan Bank and Mitsubishi Bank of Tokyo in Japan, while the two US companies, YOOX Corporation and Y Services, principally use JP Morgan Chase Manhattan Bank. In China, where the group has been operating since the end of 2010, it operates with Banca Intesa Shanghai, JP Morgan Chase Manhattan Bank Shanghai and the China Construction Bank.

Credit risk with commercial counterparties

On account of the Group's type of business, exposure to credit risk is limited because cash is received at the time of the sale (credit card payments) or on delivery in the case of payment when the goods are delivered (COD).
Credit risk related to doubtful accounts subject to legal action or to overdue accounts is monitored centrally on a daily basis and reported each month.

Credit risk

The Group's maximum theoretical exposure to credit risk is represented by the carrying amount of the financial assets recognised in the financial statements.
The maximum theoretical exposure to credit risk of the YOOX Group at December 31, 2011 is represented by the carrying amount of the financial assets recognised in the financial statements, as well as by the nominal value of the guarantees issued as set out in Note 12.

The existing receivables at year end are chiefly due from customers, Group companies, other commercial counterparties and tax authorities.

There are no significant overdue balances.

Hedge accounting – cash flow hedging

The Group performs prospective and retrospective tests on the effectiveness of the derivative financial instruments recognised, 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 2011, the Group set up cash flow hedges related to a highly probable forecast transaction.

The financial instruments in place at December 31, 2011 are forward contracts stated at fair value in the equity assets, as set out in IAS 39.

Fair value

The Group uses established measurement techniques, widely used in the market, to calculate the fair value of financial instruments when there is no regulated market for them. These techniques determine the carrying amount that the instruments would have had at the measurement date in an arm's-length transaction between knowledgeable and independent parties.

Financial assets and liabilities measured at amortised cost

The following are measured on an amortised cost basis: held-to-maturity investments, 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 measured at amortised cost.

The carrying amount of trade payables and receivables represents a reasonable approximation of their fair value.

Financial assets and liabilities measured at fair value

Hedging financial instruments and financial instruments held for trading (those not designated as hedges, in accordance with IAS 39) are measured at fair value.

Hierarchical levels of fair value measurement

IFRS 7 requires that the carrying amounts of financial instruments recognised in the statement of financial position at fair value are classified according to a hierarchy of levels reflecting the input used in the fair value calculation. The levels are:

Level 1 – assets or liabilities measured using quoted prices in active markets;

Level 2 – inputs different from quoted prices as above, which are based on directly observable (prices) or indirectly observable (price-derived) market data;

Level 3 – inputs not based on observable market data.

Financial instruments measured at fair value at December 31, 2011 are calculated using the methods in Level 2. There were no level transfers in 2011.

Categories of financial assets and liabilities

The following tables present the carrying amounts of the financial assets and liabilities recognised in the statement of financial position, classified in accordance with IAS 39 and compared with the corresponding fair values:

Statement of financial position items at Dec. 31, 2011	Loans and receivables	Financial assets at fair value through profit or loss: Financial assets designated at fair value on initial recognition	Financial assets at fair value through profit or loss: Held-for-trading financial assets	Available-for-sale financial assets	Held-to-maturity investments	Hedging financial assets	Total carrying amount	Total fair value
Other non-current financial assets	610	-	-	-	-	-	610	610
Trade receivables	8,245	-	-	-	-	-	8,245	8,245
Other current assets	4,694	-	-	-	-	-	4,694	4,694
Cash and cash equivalents	22,743	-	-	-	-	-	22,743	22,743
Medium-long term financial liabilities	(11,522)	-	-	-	-	-	(11,522)	(11,522)
Bank loans and other current financial liabilities	(2,527)	-	-	-	-	-	(2,527)	(2,527)
Other current liabilities	(18,501)	-	-	-	-	(1,218)	(19,719)	(19,719)
TOTAL	**3,742**	**-**	**-**	**-**	**-**	**(1,218)**	**2,524**	**2,524**

Statement of financial position items at Dec. 31, 2010	Loans and receivables	Financial assets at fair value through profit or loss: Financial assets designated at fair value on initial recognition	Financial assets at fair value through profit or loss: Held-for-trading financial assets	Available-for-sale financial assets	Held-to-maturity investments	Hedging financial assets	Total carrying amount	Total fair value
Other non-current financial assets	507	-	-	-	-	-	507	507
Trade receivables	9,384	-	-	-	-	-	9,384	9,384
Other current assets	7,289	-	-	-	-	29	7,318	7,318
Cash and cash equivalents	24,188	-	-	-	-	-	24,188	24,188
TOTAL	**41,368**	**-**	**-**	**-**	**-**	**29**	**41,397**	**41,397**

Financial derivative instruments outstanding at year end

The following table shows transactions outstanding at December 31, 2011 and December 31, 2010 and the related fair values:

	Nature of hedged risk	Notional Value		Fair value derivatives		Current Financial Assets		Other Financial Payables	
FINANCIAL INSTRUMENT		**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2010**	**Dec. 31, 2011**	**Dec. 31, 2010**
Hedging									
Forward sales	currencies	15,386	2,200	(754)	3	-	29	(754)	(26)
IRS	rate	12,300	-	(464)	-	-	-	(464)	-
Total		**27,686**	**2,200**	**(1,218)**	**3**	**-**	**29**	**(1,218)**	**(26)**

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

Transactions with related parties, as defined under IAS 24, at December 31, 2011 and at December 31, 2010 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 under common control with the Entity, or
   (iv) have an interest that gives them significant influence over the Entity, or
   (v) have joint control over the Entity.

b) entities that are associates as defined in IAS 28 – *Investments in Associates*;

c) joint ventures in which the Entity is a venturer;

d) key management personnel of the Entity or its parent, including the directors and statutory auditors of the Entity;

e) the close family members of any individual referred to in points a) to d) above;

f) entities controlled or jointly controlled by any individual referred to in points d) or e) above, or that are under the significant influence of these individuals, i.e. entities in which the individual referred to in d) and e) holds, either directly or indirectly, significant voting power;

g) pension funds for employees of the Entity or any other entity related to it.

11.1 Intra-Group transactions

In order to provide more information on the extent of relationships within the Group, the following tables present transactions taking place between Group companies and eliminated in the financial statements at December 31, 2011 and December 31, 2010.

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

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

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

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

4. the Parent provides the Group companies with customer service support (via a customer care service located at the Italian head office that interfaces with customers of Group companies);

5. consulting and support services in the area of fashion, marketing, advertising and professional training provided by the Parent to subsidiaries.

None of the relationships between the Group companies or between the Group companies and related parties are considered to be atypical or unusual, and form part of the Group's ordinary business operations. The transactions were carried out under normal market (i.e. arm's-length) conditions.

The following tables show the relationships in terms of receivables and payables between the Group companies at December 31, 2011 and at December 31, 2010. Receivables from and payables to subsidiaries are expressed in USD, JPY, CNY and HDK and translated to Euro at the exchange rate in effect at year end.

Revenue and costs are expressed in USD, JPY, CNY and HDK and translated to Euro at the average exchange rate for the year in question.

December 31, 2011

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

December 31, 2010

	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenue	Costs
YOOX S.p.A.	8,298	-	-	-	31,317	-
YOOX Corporation	-	-	6,386	-	-	21,281
Y Services Ltd.	-	-	352	-	-	1,243
YOOX Japan	-	-	1,560	-	-	8,793
Total subsidiaries	**8,298**	**-**	**8,298**	**-**	**31,317**	**31,317**

11.2 Remuneration of senior managers and other key management personnel within the Group

In addition to the executive and non-executive directors, the senior managers and other key management personnel for the management, planning and control of the Group comprise the Chief Financial Officer, the General Manager, the Chief Marketing Officer, the Director of Operations, the User Experience Director, the yoox.com Commercial Director and the Head of Customer Operations.

The gross annual remuneration of the above persons, inclusive of all forms of remuneration (including gross pay, bonuses, fringe benefits, etc.) as well as bonuses accrued but not paid out that are subject to the achievement of long-term objectives are reported in the following table together with the fees of the members of the Board of Statutory Auditors:

December 31, 2011

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

December 31, 2010

Description	Current benefits	Long-term benefits	*Stock option plans and incentive plans*
Directors	1,044	-	1,582
Statutory Auditors	73	-	-
Key management personnel	1,481	82	1,127
Total	**2,598**	**82**	**2,709**

Finally, no close family members of any of the natural persons indicated above are related parties of the Issuer and/or the companies of the Group, as defined in IAS 24.

11.3 Transactions with other related parties

The following tables list the main financial and commercial relationships between the companies of the Group and related parties other than Group companies, at December 31, 2011 and December 31, 2010 excluding intra-Group relationships, which are described above. Commercial transactions with these entities are carried out under normal market conditions, and all transactions are carried out in the interest of the Group.

December 31, 2011

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

December 31, 2010

Description	*Trade receivables*	*Trade payables*	*Revenue*	*Costs*
Sigma Gi S.p.A.	-	359	9	3,360
Diesel S.p.A.	1,305	2,532	1,314	6,137
Diesel Rags S.r.l.	-	645	-	2,262
55DSL S.r.l. – Unipersonale	-	-	-	19
Staff International S.p.A.	-	121	-	1,150
Diesel USA Inc.	384	1,402	103	3,275
Staff USA Inc.	-	-	-	201
Studio legale d'Urso Gatti e Associati	-	105	-	334
Ferrante, PLLC LAW FIRM	-	27	-	60
KK TPI	-	10	-	42
Nagamine Accounting Office	-	1	-	7
Total other related parties	**1,690**	**5,202**	**1,425**	**16,846**

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

- Studio legale D'Urso Gatti e Associati, since a partner of that law firm is a director of the Parent;
- Tarter Krinsky & Drogin LLP, since a partner in that law firm is a member of the Board of Directors of one of the Group's companies (YOOX Corporation);
- Hari K. Samaroo P.C., since the partner of that law firm is the legal representative/Chairman of Y Services;
- Studio Holly Brubach LLC since the partner of that law firm is a director of YOOX Corporation;
- KK TPI and Nagamine Accounting Office, since the owner of both these consultancy firms is a member of the Board of Directors of a Group company (YOOX Japan);
- Bizmatica Sistemi S.p.A. since the chairman of that company is the son of a member of the Board of Directors of the Group (YOOX S.p.A.).

None of the transactions that took place with related parties in 2011 and 2010 were significant (except as mentioned above), atypical and/or unusual.

12. Other information

Commitments and guarantees

Description	*Dec. 31, 2011*	*Dec. 31, 2010*
Third-party assets held by the Group	81,094	49,133
Sureties given to others	2,660	3,294
Commitments under hedging derivative contracts (nominal value)	**27,686**	**2,496**

The warehouses of Group companies hold goods worth Euro 81,094 thousand received on a sale-or-return basis from YOOX's partners. The increase by comparison with the previous year reflects the opening of new Online Stores in 2011, as well as an expansion of procurement on a sale-or-return basis during 2011 in the Multi-brand business segment.

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

- The contract agreed by the Parent, with effect from November 2, 2010, for a period of six years, for the lease of office premises in Via Morimondo 17, Milan. The surety amounts to Euro 120,000 and will expire on January 31, 2017;
- The contract agreed with Diesel to guarantee payments by the subsidiary Y Services amounting to USD 635,000 (Euro 490,764) with effect from January 13, 2011 and expiring on December 31, 2011;
- The contract agreed by the Company with Despina S.p.A. to guarantee compliance with obligations under a lease with effect from April 1, 2007, for a period of six years, relating to office premises at Via Nannetti 1 in Zola Predosa. The amount of the surety is Euro 47,500 expiring on March 31, 2013;
- The contract agreed with Simest to guarantee the loan amounting to Euro 53,219 with effect from September 28, 2006 and expiring on March 16, 2014;
- The contract agreed with Simest to guarantee the loan amounting to Euro 236,156 with effect from January 17, 2008 and expiring on March 16, 2014;
- The contract agreed by the Company with New Winds Group to guarantee compliance with obligations under a lease for office premises in Madrid, with effect from August 2008. The surety amounts to Euro 19,442 and expires on September 30, 2012;
- The contract agreed by the Company with MM. Kerr and MM. Naret to guarantee compliance with obligations under a lease for office premises in Paris, with effect from August 1, 2008. The surety amounts to Euro 52,000 and expires on July 31, 2014;
- The contract agreed by the Company with Oslavia, with effect from July 1, 2008, for a period of six years, for the lease of office premises in Via Lombardini, Milan. The surety amounts to Euro 19,200 and expires on July 31, 2014;
- The contract agreed by the Company to guarantee VAT compliance in Portugal, for Euro 5,000, issued to the Portuguese tax representative and expired on December 31, 2011;
- The contract agreed by the Company following the repayment of the Global Collect guarantee deposit of Euro 800,000, after BNP Paribas issued a bank surety for the same amount, expiring on April 30, 2012;
- The surety issued to Koji Ono, Director of YOOX Japan, for obligations assumed by the subsidiary YOOX Japan, amounting to JPY 30,000,000 (Euro 299,401) expiring on March 3, 2012;
- The contract agreed with Logistica Bentivoglio S.r.l. with effect from December 28, 2010 and expiring on March 15, 2013 to guarantee compliance with obligations under the lease for the warehouse at the logistics centre in Bentivoglio Blocco 9.5 for Euro 512,775;
- The surety agreed for Arangino Giovanni to guarantee the costs of restoring the external wall of the building in Via Lombardini, Milan, for a sum of Euro 4,000, with effect from August 19, 2010 and expiring on July 31, 2014;

- The contract agreed by the Company with Despina S.p.A. to guarantee compliance with obligations under a lease with effect from April 14, 2010, for a period of six years, relating to office premises at Via Nannetti 1 in Zola Predosa. The amount of the surety is Euro 58,500 expiring on February 1, 2012.

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 15,386 thousand;
- interest rate swaps signed by the Parent to hedge the interest rate risk related to the medium/long-term loan agreed for financing the new techno-logistics platform. The nominal amount of commitments at the reporting date is Euro 12,300 thousand.

13. Events after the reporting year

Allocation of shares following the exercise of stock options
On January 26 and February 7, 2012 YOOX S.p.A. ordinary shares were granted following the exercise of the options relating to the stock option plan and at the strike prices described in the table below:

Stock option Plans	Grant date	Strike price (in Euro)			Total Stock options	Total post-split shares
		46.48	59.17	106.5		
2001-2003	January 26, 2012	1,155			1,155	60,060
2003-2005	January 26, 2012	10,457			10,457	543,764
2004-2006	January 26, 2012	3,544			3,544	184,288
2006-2008	January 26, 2012		4,842		4,842	251,784
2007-2012	January 26, 2012		6,539		6,539	340,028
Sub-total		*15,156*	*11,381*	-	*26,537*	*1,379,924*
2001-2003	February 7, 2012	298		750	1,048	54,496
2003-2005	February 7, 2012	3,355			3,355	174,460
2004-2006	February 7, 2012	4,912			4,912	255,424
2007-2012	February 7, 2012		2,000	1,100	3,100	161,200
Sub-total		*8,565*	*2,000*	*1,850*	*12,415*	*645,580*
Total		**23,721**	**13,381**	**1,850**	**38,952**	**2,025,504**

Given the above, the new share capital issued by YOOX S.p.A. at the time of writing is Euro 550,996.16, divided into 55,099,616 ordinary shares with no indication of par value.

Stock option granting relating to the YOOX S.p.A. 2009-2014 stock option plan
On February 8, 2012, the Company's Board of Directors resolved to grant 4,490 options valid for the subscription of 233,480 YOOX ordinary shares in favour of three beneficiaries on a biannual basis.

Launch of the barbarabui.com Online Store
On February 16, 2012 the barbarabui.com Online Store was launched in Europe, the US and Japan.

Extension of dsquared2.com to China
On March 5, 2012 the dsquared2.com Online Store was extended to China.

Appointment of Giuseppe Guillot as YOOX Group COO
In future years, YOOX Group will continue to invest in the consolidation and innovation of its multi-channel technological and global logistics infrastructure in order to guarantee a solid platform that is at the forefront, capable of adapting quickly to changing market scenarios and offering its business partners and end users an excellent service.
In this context, YOOX is delighted to announce the appointment of a Chief Operating Officer ("COO") with responsibility for optimising and coordinating all operational and design activities, in a logistics and technological framework, and maximising the synergies that come from the joint management of both activities. This appointment pursues the ultimate aim of preserving and reinforcing one of the most important competitive advantages of the Group: the quality of the service offered. Giuseppe Guillot was therefore promoted to YOOX Group COO in the first quarter of 2012. A part of the YOOX Group since 2007, Guillot has held various roles both in the Operations department and in Technology; prior to this appointment he was Technology Director.

Launch of shoescribe.com

In line with the Group's strategy of extending the in-season offer, YOOX Group is launching shoescribe.com, a new Multi-brand Online Store entirely dedicated to women's footwear. From today, Wednesday March 7, shoescribe.com sits alongside yoox.com and thecorner.com in the Multi-brand business segment.

The long-term experience of the Group in fashion e-commerce has made the shoes undisputed best sellers on a global level, and therefore the Group has decided to dedicate an online space exclusively to footwear.

shoescribe.com offers an original 360 degree shopping experience in the world of footwear, from the editorial component right through to the care of shoes after purchase. The concept of the store is actually based on the combination of three key elements: e-commerce, exclusive services dedicated to shoes and editorial content.

The range consists of an original and very carefully chosen selection for the launch of over 100 brands, from big names to recherché brands including Acne, Alexander Wang, Bally, Giambattista Valli, Marni, Marc Jacobs, Opening Ceremony, Proenza Schouler and Sergio Rossi, to which new ones will constantly be added.

shoescribe.com can benefit from the solid global platform of the Group to guarantee its customers an excellent and unique service in the industry. For shoe lovers, shoescribe.com has purposely designed several high-value services, such as a shoe organizer for the wardrobe, available with every purchase, and a network of trusted shoemakers for your repairs. Moreover, by taking out an annual subscription "shoescribers" can access highly exclusive services such as free repairs on shoes purchased and free shipping all year round.

Annex 1

Consolidated income statement for the year ended December 31, 2011, prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

	2011			2010		
Consolidated income statement	**Balances**	**of which with related parties**	**% Weighting**	**Balances**	**of which with related parties**	**% Weighting**
Amounts in thousands of Euro and percentage weighting on individual items:						
Net revenue	291,188			214,288	1,425	0.7%
Cost of goods sold	(183,019)			(129,864)	(16,296)	12.5%
Fulfilment costs	(31,738)	(547)	1.7%	(22,048)	(519)	2.4%
Sales and marketing costs	(31,580)	(1,198)	3.8%	(24,723)	(1,303)	5.3%
General expenses	(28,070)	(3,768)	13.4%	(22,148)	(4,043)	18.3%
Other income and expenses	(357)			(497)		
Non-recurring expenses						
Operating profit	**16,423**			**15,008**		
Financial income	1,237			986		
Financial expenses	(1,209)			(1,053)	(75)	7.1%
Profit before tax	**16,450**			**14,941**		
Taxes	(6,450)			(5,824)		
Consolidated profit for the year	**10,000**			**9,117**		
Of which:						
Attributable to owners of the Parent	10,000			9,117		
Attributable to non-controlling interests	-			-		

Annex 2

Consolidated statement of financial position as at December 31, 2011, prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

	December 31, 2011			December 31, 2010		
Consolidated statement of financial position	**Balances**	**of which with related parties**	**% Weighting**	**Balances**	**of which with related parties**	**% Weighting**
Amounts in thousands of Euro and percentage weighting on individual items						
Non-current assets						
Property, plant and equipment	19,315			8,395		
Intangible assets with finite useful life	12,186			7,129		
Deferred tax assets	4,799			5,456		
Other non-current financial assets	610			507		
Total non-current assets	**36,911**			**21,487**		
Current assets						
Inventories	101,862			76,311		
Trade receivables	8,245			9,384	1,690	18.0%
Other current assets	4,694			7,318		
Cash and cash equivalents	22,743			24,188		
Current financial assets	5,466			5,082		
Total current assets	**143,010**			**122,283**		
Total assets	**179,921**			**143,770**		

Consolidated statement of financial position	December 31, 2011 Balances	of which with related parties	% Weighting	December 31, 2010 Balances	of which with related parties	% Weighting
Equity						
Share capital	531			518		
Reserves	68,271			64,426		
Retained earnings (losses carried forward)	3,752			(5,364)		
Consolidated profit for the year	10,000			9,117		
Equity attributable to owners of the Parent	82,554			68,697		
Equity attributable to non-controlling interests						
Total consolidated equity	**82,554**			**68,697**		
Non-current liabilities						
Medium-long term financial liabilities	11,522			846		
Employee benefits	213			213		
Provisions for risks and charges	-			116		
Deferred tax liabilities	83			69		
Total non-current liabilities	**11,819**			**1,244**		
Bank loans and other current financial liabilities	2,527			5,600		
Provisions for risks and charges	199			877		
Trade payables	62,794	72	0.0%	48,943	5,202	10.6%
Tax liabilities	310			2,441		
Other payables	19,719			15,968		
Total current liabilities	**85,548**			**73,829**		
Total consolidated equity and liabilities	**179,921**			**143,770**		

Annex 3

Consolidated statement of cash flows for the year ended December 31, 2011, prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

Consolidated statement of cash flows	2011 Balances	2011 of which with related parties	2011 % Weighting	2010 Balances	2010 of which with related parties	2010 % Weighting
Amounts in thousands of Euro and percentage weighting on individual items						
Consolidated profit for the year	10,000			9,117		
Adjustments for:						
Taxes for the year	6,450			5,824		
Financial expenses	1,209			1,053		
Financial income	(1,237)			(986)		
Depreciation, amortisation and impairment losses	7,659			3,744		
Fair value measurement of stock options	4,167			3,744		
Unrealised effect of changes in foreign exchange rates	650			340		
(Gains)/losses on sale of non-current assets	(15)			-		
Employee benefits	11			33		
Provisions for risks and charges	203			549		
Payment of employee benefits	(10)			(39)		
Use of provisions for risks and charges	(997)			(404)		
Changes in inventories	(25,551)			(29,257)		
Changes in trade receivables	1,140			(2,641)	(639)	24.2%
Changes in trade payables	13,600	(5,130)	(37.7%)	21,354	295	1.4%
Changes in other current assets and liabilities	5,491			(3,678)		
Cash flow from operating activities	**22,771**			**8,753**		
Income tax paid	(7,910)			(9,180)		
Interest and other financial expenses paid	(1,209)			(1,053)		
Interest and other financial income received	1,237			986		
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**14,889**			**(494)**		

Consolidated statement of cash flows	2011 Balances	2011 of which with related parties	2011 % Weighting	2010 Balances	2010 of which with related parties	2010 % Weighting
Investing activities						
Acquisition of property, plant and equipment	(1,471)			(5,374)		
Acquisition of intangible assets	(9,114)			(6,065)		
Acquisition of other non-current financial assets	(103)			(98)		
NET CASH USED IN INVESTING ACTIVITIES	**(10,688)**			**(11,537)**		
Financing activities						
New short-term liabilities	-			5,028		
Repayment of short-term liabilities	(5,030)			-		
New medium-long term financial liabilities	(155)			-		
Repayment of medium-long term financial liabilities	-			(155)		
Treasury shares purchase	(953)			(362)		
Increase in share capital and share premium reserve	1,016			1,795		
Investments in financial assets	(384)			(5,082)		
Variation through difference between cash effect and action of incentive plans	(140)			(12)		
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**(5,646)**			**1,212**		
TOTAL CASH FLOW FOR THE YEAR	**(1,445)**			**(10,820)**		
Cash and cash equivalents at the beginning of the year	24,188			35,007		
Cash and cash equivalents at the end of the year	22,743			24,188		
TOTAL CASH FLOW FOR THE YEAR	**(1,445)**			**(10,820)**		

Annex 4

Summary of fees paid during the year for services provided to the Group by the independent auditors and the entities within the independent auditors' network, prepared in accordance with Article 149-*duodecies* of Issuer Regulation 11971 of May 13, 1999 and subsequent amendments.

Type of service	Party providing the service	Recipient	Fee (thousand Euro)
Auditing	KPMG S.p.A.	Parent	205
Auditing	KPMG S.p.A.	Subsidiaries	50
Other services	KPMG S.p.A.	Parent	2
Total			**257**

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011 PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION 11971 OF MAY 14, 1999 AS AMENDED

The undersigned, Federico Marchetti, as Chief Executive Officer, and Francesco Guidotti, as Director in charge of preparing corporate accounting documents of YOOX S.p.A. hereby certify, with due regard for the provisions of Article 154-bis(3 and 4) of Legislative Decree No. 58 of February 24, 1998:

- the adequacy, with respect to the Company's characteristics, and
- the actual application

of administrative and accounting procedures for the preparation of the consolidated financial statements during 2011.

They further certify that:
the consolidated financial statements at December 31, 2011:

- were prepared in accordance with applicable IFRS endorsed by the European Union pursuant to EC Parliament and Council Regulation No. 1606/2002 of July 19, 2002;
- correspond to entries made in accounting ledgers and records;
- are suitable for providing a true and fair view of the financial position and results of operations of the issuer and all companies included in consolidation;

the Directors' report contains a reliable analysis of operating performance and results and of the position of the issuer and all companies included in consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Chief Executive Officer

Federico Marchetti
(signed on the original)

Director in charge of preparing corporate accounting documents

Francesco Guidotti
(signed on the original)

REPORT OF THE AUDITORS

KPMG S.p.A.
Revisione e organizzazione contabile
Via Andrea Costa, 160
40134 BOLOGNA BO

Telefono +39 051 4392511
Telefax +39 051 4392599
e-mail it-fmauditaly@kpmg.it

(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
YOOX S.p.A.

1 We have audited the consolidated financial statements of the YOOX Group as at and for the year ended 31 December 2011, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 16 March 2011 for our opinion on the prior year consolidated financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the consolidated financial statements of the YOOX Group as at and for the year ended 31 December 2011 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the YOOX Group as at 31 December 2011, the results of its operations and its cash flows for the year then ended.

4 The directors of YOOX S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and shareholding structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure with

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

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Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Udine Varese Verona

Società per azioni
Capitale sociale
Euro 7.625.700,00 i.v.
Registro Imprese Milano e
Codice Fiscale N. 00709600159
R.E.A. Milano N. 512867
Partita IVA 00709600159
VAT number IT00709600159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA

the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure are consistent with the consolidated financial statements of the YOOX Group as at and for the year ended 31 December 2011.

Bologna, 13 March 2012

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

SEPARATE FINANCIAL STATEMENTS
YOOX S.p.A.

TABLE OF CONTENTS

Separate financial statements at December 31, 2011, prepared in accordance with International Financial Reporting Standards (IFRS) 171
Income statement 171
Statement of comprehensive income 172
Statement of financial position 173
Statement of changes in equity at December 31, 2011 and December 31, 2010 174
Statement of cash flows 175
Notes to the separate financial statements as at and for the year ended December 31, 2011 176
Annexes 227

SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2011, PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (1)

Income statement

Thousand Euro:	Notes	Dec. 31, 2011	Dec. 31, 2010
Net revenue	6.1	249,201	183,377
Cost of goods sold	6.2	(167,935)	(123,055)
Fulfilment costs	6.3	(26,593)	(18,764)
Sales and marketing costs	6.4	(19,179)	(15,831)
General expenses	6.5	(21,928)	(15,322)
Other income and expenses	6.6	(185)	(382)
Operating profit	**6.7**	**13,381**	**10,022**
Financial income	6.8	622	866
Financial expenses	6.8	(1,018)	(949)
Profit before tax		**12,984**	**9,939**
Taxes	6.9	(4,925)	(3,880)
Profit for the year		**8,059**	**6,059**
Basic earnings per share*	6.10	0.19	0.18
Diluted earnings per share*	6.10	0.18	0.17

(1) The financial statements, which were prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006, are annexed to the notes to the separate financial statements at December 31, 2011.

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

Statement of comprehensive income

Thousand Euro:	Notes	2011	2010
Profit for the year		8,059	6,059
Other comprehensive income, net of tax effects			
Profit/(loss) from cash flow hedges	6.20	(883)	-
Total other comprehensive income/(loss)		(883)	-
Total comprehensive income for the year		7,176	6,509

Statement of financial position

Thousand Euro:	Notes	Dec. 31, 2011	Dec. 31, 2010
Non-current assets			
Property, plant and equipment	6.11	19,067	8,229
Intangible assets with finite useful life	6.12	12,168	7,127
Investments in subsidiaries	6.13	2,538	1,547
Deferred tax assets	6.14	2,525	3,044
Other non-current financial assets	6.15	74	67
Total non-current assets		**36,373**	**20,014**
Current assets			
Inventories	6.16	84,137	64,778
Trade receivables	6.17	17,873	15,951
Other current assets	6.18	6,873	5,363
Cash and cash equivalents	6.19	13,002	16,595
Current financial assets	6.19	2,269	5,082
Total current assets		**124,153**	**107,769**
Total assets		**160,526**	**127,783**
Equity			
Share capital		531	518
Reserves		67,306	64,113
Losses carried forward		(770)	(6,829)
Profit for the year		8,059	6,059
Total equity	**6.20 - 6.21**	**75,126**	**63,861**
Non-current liabilities			
Medium-long term financial liabilities	6.22	11,522	846
Employee benefits	6.23	213	213
Provisions for risks and charges	6.25	-	112
Deferred tax liabilities	6.24	83	69
Total non-current liabilities		**11,819**	**1,240**
Bank loans and other current financial liabilities	6.22	2,527	5,600
Provisions for risks and charges	6.25	84	534
Trade payables	6.26	53,356	42,964
Tax liabilities	6.27	391	341
Other liabilities	6.28	17,224	13,243
Total current liabilities		**73,581**	**62,682**
Total equity and liabilities		**160,526**	**127,783**

Statement of changes in equity at December 31, 2011 and December 31, 2010 – Note 6.20

Thousand Euro	*Share capital*	*Share premium reserve and other equity-related reserves*	*Legal reserve*	*Treasury shares purchase reserve*	*Hedging reserve*	*Stock option reserve*	*Retained earnings (losses carried forward)*	*Profit*	*Total*
December 31, 2009	**504**	**54,542**	**193**	**-**	**-**	**4,229**	**(9,582)**	**2,753**	**52,640**
Share capital increase	14	1,783	-	-	-	-	-	-	**1,797**
Increases in reserves for share-based payments	-	-	-	-	-	3,728	-	-	**3,728**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,059**	**6,059**
Other changes	-	-	-	(362)	-	-	2,753	(2,753)	**(362)**
December 31, 2010	**518**	**56,325**	**193**	**(362)**	**-**	**7,957**	**(6,829)**	**6,059**	**63,861**
Share capital increases	13	1,003	-	-	-	-	-	-	**1,016**
Increases in reserves for share-based payments	-	-	-	-	-	4,028	-	-	**4,026**
Total comprehensive income	**-**	**-**	**-**	**-**	**(883)**	**-**	**-**	**8,059**	**7,176**
Other changes	-	-	-	(953)	-	-	6,059	(6,059)	**(953)**
December 31, 2011	**531**	**57,328**	**193**	**(1,315)**	**(883)**	**11,985**	**(770)**	**8,059**	**75,126**

Statement of cash flows

Thousand Euro:	Notes	2011	2010
Profit for the year	6.29	8,059	6,059
Adjustments for:			
Taxes for the year	6.29	4,925	3,880
Financial expenses	6.30	1,018	949
Financial income	6.30	(622)	(866)
Depreciation, amortisation and impairment losses	6.30	7,558	3,701
Fair value measurement of stock options	6.30	4,167	3,642
(Gains)/losses on sale of non-current assets	6.30	-	-
Employee benefits	6.30	11	33
Provisions for risks and charges	6.30	84	257
Payment of employee benefits	6.30	(10)	(39)
Use of provisions for risks and charges	6.30	(646)	(284)
Changes in inventories	6.31	(19,358)	(21,689)
Changes in trade receivables	6.31	(1,921)	(4,980)
Changes in trade payables	6.31	10,142	17,929
Changes in other current assets and liabilities	6.32	1,587	(4,206)
Cash flow from operating activities		**14,994**	**4,386**
Income tax paid	6.29	(4,342)	(6,956)
Interest and other financial expenses paid	6.30	(1,018)	(949)
Interest and other financial income received	6.30	622	866
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**10,255**	**(2,653)**
Investing activities			
Acquisition of property, plant and equipment	6.34	(1,306)	(5,225)
Acquisition of intangible assets	6.34	(9,095)	(6,063)
Acquisition of investments in subsidiaries	6.35	(991)	(1,000)
Acquisition of other non-current financial assets	6.36	(8)	(16)
NET CASH USED IN INVESTING ACTIVITIES		**(11,399)**	**(12,304)**
Financing activities			
New short-term liabilities	6.39	-	5,028
Repayment of short-term liabilities	6.39	(5,030)	-
New medium-long term financial liabilities	6.38	(155)	-
Repayment of medium-long term financial liabilities	6.38	-	(155)
Treasury share purchase		(953)	(362)
Capital injection for share capital increase and share premium reserve	6.37	1,016	1,797
Investments in other financial assets	6.19	2,813	(5,082)
Variation through difference between cash effect and action of incentive plans	6.21	(140)	(12)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**(2,449)**	**1,212**
TOTAL CASH FLOW FOR THE YEAR		**(3,593)**	**(13,745)**
Cash and cash equivalents at the beginning of the year	6.19	16,595	30,340
Cash and cash equivalents at the end of the year	6.19	13,002	16,595
TOTAL CASH FLOW FOR THE YEAR		**(3,593)**	**(13,745)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2011

1. Company structure and activities

YOOX S.p.A. (the “Company” or the “Parent”) is the Parent of the YOOX Group. It is subject to Italian law and its registered offices are in Zola Predosa, Italy. The company is active in e-commerce and offers commercial services relating to clothing and fashion accessories, and more generally to anything that accessorises the person or the home, during free time, when relaxing or during leisure activities.

Information on individual operating segments is presented at Group level in section 7 of the consolidated financial statements.

2. Approval of the separate financial statements at December 31, 2011

The separate financial statements at December 31, 2011 were approved by the Board of Directors on March 7, 2012. They have been audited and will be presented to the Shareholders.

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

YOOX S.p.A. prepared the financial statements at December 31, 2011 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 the International Financial Reporting Standards Committee (IFRIC), formerly the Standing Interpretations Committee (SIC). The financial statements at December 31, 2011 were also drawn up in accordance with rules adopted by CONSOB on financial statements pursuant to Article 9 of Legislative Decree 38/2005 and other CONSOB rules and regulations concerning financial statements. The financial statements at December 31, 2011 were compared with the previous financial statements for the previous year and are made up of the income statement, the statement of comprehensive income, the statement of financial position and the statement of changes in equity, as well as the notes thereto.

Separate financial statements

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

As indicated above, the separate financial statements at December 31, 2011 were drawn up in accordance with the IFRS endorsed by the European Union, and comprise the following:

Income statement

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

Statement of comprehensive income

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

Statement of financial position

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

Statement of changes in equity

The statement of changes in equity reports the profit or loss for the year or the period, including each item of revenue or cost, income or expenses which, as required by IFRS and their interpretations, is recognised directly in equity, and the total of these items; total comprehensive income or expense 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 policies 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 a reconciliation between the carrying amount of each share class, the share premium reserve and other reserves at the start and end of the year, showing each change separately.

Statement of cash flows

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

4. Accounting policies and measurement criteria

Basis of preparation

The separate financial statements are presented in Euro and balances in the financial statements and in the notes thereto are expressed in thousands of Euro, unless specifically indicated otherwise.

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

Financial transactions are recognised according to the trade date.

The accounting policies adopted for the preparation of the separate financial statements at December 31, 2011 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 recognised 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 collections, 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 recognised in the financial statements.

Provision for obsolete inventories

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

Recoverable amount of non-current assets

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

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

- In this context, for the purposes of preparing the financial statements at December 31, 2011, and more specifically in carrying out the impairment tests for property, plant and equipment and intangible assets, the Company has taken into consideration the forecast trends for 2012. For future years, it has formulated specific forecasts for the progress of its business in a precautionary sense, taking into account the economic-financial context and the market which is greatly changed by the current crisis. On the basis of these forecasts, there is no apparent need for significant impairments.
- In addition, if assumptions based on forecasts were to become even worse, the following should be noted: with reference to property, plant and equipment and intangible assets with a finite useful life (essentially development costs) of the Company, they refer to recent applications/platforms, with a high technological content, which therefore makes them competitive in the current economic context. It is therefore thought highly probable that the life-cycle of these products could be prolonged, allowing the Company to achieve sufficient income flows to cover the investment made in the products within the timeframe identified.

Defined benefit plans

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

Contingent liabilities

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

The following table shows the exchange rates used at December 31, 2011 and at December 31, 2010 for the translation of items in the statement of financial position denominated in foreign currencies (*source*: http://www.uic.it).

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

	Exchange rate at Dec. 31, 2010	Average exchange rate for 2010
USD	1.3362	1.3257
JPY	108.65	116.24
CNY	8.8220	8.9712
GBP	0.8608	0.8578

The foreign currencies are reported against Euro units.

Derivative financial instruments

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

Derivative financial instruments are recognised in accordance with 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 recognised in the income statement when 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 cash flow hedges are recognised directly in equity to the extent that the hedge is effective. For the ineffective portion, changes in fair value are recognised 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.

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

Property, plant and equipment

Measurement and recognition

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 depreciated over the life of the assets in question. All other financial expenses are recognised 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 recognised 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 recognised 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 recognised in the income statement when incurred.

When the cost of replacing parts of the assets is capitalised, the residual value of the replaced parts is recognised in 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 recognised in the income statement when incurred.

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

Assets under finance lease

Property, plant and equipment held under finance leases, for which the Parent has substantially assumed all risks and rewards of ownership, are recognised at the start date of the lease as assets at their fair value, or, if lower, at the 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 recognised under financial payables.

Depreciation

Depreciation of items of property, plant and equipment is recognised in the income statement on a straight-line basis over their useful life.

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

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

The depreciation methods, the useful lives and residual values are revised at the reporting date and have not been modified in relation to the previous year.

Intangible assets

Development costs

Expenses for research-related activities, which are carried out with a view to obtaining new scientific or technical knowledge and discoveries, are recognised in the income statement when 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 recognised can be recovered through expected 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 expenses. 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 recognised in the income statement when incurred. Other development expenses are recognised in the income statement when incurred.

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

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

Other intangible assets with finite useful life

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

Subsequent costs

Subsequent costs are only capitalised when there is an increase in the expected future economic benefits attributable to the assets in question. All other subsequent costs are recognised in the income statement when incurred.

Amortisation

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

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

The useful lives and the residual values are revised at the reporting date and have not been modified in relation to the previous year.

Investments in subsidiaries

In the separate financial statements of the Parent, investments in subsidiaries (not classified as held for sale) are measured at cost, adjusted for any impairment losses, and translated into Euro at historical exchange rates if referring to investments in foreign companies whose financial statements are prepared in a currency other than the Euro.
Any positive differences that emerge during the acquisition of the investments between the price and the portion of equity are maintained at the carrying amount of the investments. The carrying amount of the acquisition or sale of investments, business units or company assets under joint control are measured using the historical-cost method without the recognition of capital gains or losses.
Whenever there is any indication that the investments may be impaired, they are subjected to impairment tests and an impairment loss is recognised where necessary. In order for the impairment to be charged to the income statement, there must be objective evidence that events have taken place that impact the estimated future cash flows from the investments. Any losses in excess of the carrying amount of the investments arising from legal or implicit obligations to cover losses incurred by the subsidiaries are recognised under provisions for risks or charges.
The original value is reversed in subsequent years if the reasons for the impairment no longer apply.

The relevant dividends are recognised under financial income from investments at the time when the right to receive dividends is established, generally at the same time as approval is granted by the Shareholders.

Other non-current financial assets

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

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

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

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

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

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

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

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

Current financial assets

Current financial assets and securities held with the intention of keeping them until maturity are recognised at the settlement date and, at the time they are first recognised, they are measured at the purchase cost, including ancillary costs to the transaction.
Following the initial measurement, the financial instruments available for sale and those for trading are 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 measurement techniques, such as, for example the analysis of discounted cash flows, made using the market information available at the reporting date.
The gains and losses for financial assets available for sale are recognised directly under Other comprehensive income/(expense) until the financial asset is sold or impaired; at the time the asset is sold, the cumulative gains or losses, including those previously recognised under Other comprehensive income/(expense) are included in the income statement for the year; when the asset is impaired, the cumulative losses are included in the income statement. The gains and losses created by variations in the fair value of financial instruments classified as held for trading are recognised in the income statement for the year.
Securities 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 measured, 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 measured at purchase cost. Loans with a term of more than a year, are non-interest bearing or which mature with interest less than the market, are discounted using the market rates.
Valuations are made regularly in order to check whether there is objective evidence that a financial asset or group of assets could be impaired. If there is objective evidence of impairment, an impairment loss should be recognised as a cost in the income statement for the year.

Inventories

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

In order to present the value of inventories appropriately in the financial statements, and to take into account impairment losses due to obsolete materials and slow inventories, obsolescence provisions have been accrued, directly deducted from the carrying amount of the inventories.

Trade and other receivables

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

Cash and cash equivalents

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

Impairment losses on assets

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

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

If the test shows that the recognised assets, or a cash-generating unit, are impaired, the recoverable amount is estimated and the difference between the carrying amount and the recoverable amount is recognised in the income statement. The impairment loss of a CGU is therefore first charged against goodwill, where applicable, and then as a reduction in the carrying amount of the other assets.

The recoverable amount of an asset or a CGU is obtained by discounting the cash flows expected to derive from that asset or CGU. The discount rate used is the cost of capital, taking into account the specific risks associated with the asset or CGU. The recoverable amount of investments in held-to-maturity securities and of receivables stated at amortised cost corresponds to the present value of future cash flows, discounted at the effective interest rate calculated at initial recognition. The recoverable amount of other assets is the greater of the selling price and the value in use, calculated by discounting estimated future cash flows at a rate that reflects market conditions.

Any impairment losses on receivables measured at amortised cost are reversed if the subsequent increase in recoverable amount can be objectively determined.

If an impairment loss on an asset, excluding goodwill, is subsequently decreased or no longer exists, the carrying amount of the asset or the CGU is increased to the new estimated recoverable amount, which must not exceed the value that would have been calculated if no impairment had been recognised. The reversal of an impairment loss is immediately recognised in the income statement.

Share capital and other items of equity

The share capital is made up of the ordinary shares issued by the Parent.

Any costs arising from issuing new shares or options are recognised in Equity (net of associated tax benefits) as a reduction of the income deriving from the issue of such instruments.

As required by IAS 32, if instruments representing own capital are repurchased, these instruments (own shares) are deducted directly from the “Other reserves” item within equity. No gains or losses are recognised in the income statement for the purchase, sale or cancellation of own shares.

The amount paid or received, including all costs directly attributable to the capital transaction, net of any associated tax benefit, is stated directly as a change in equity.

Any dividends paid to shareholders are recognised as liabilities in the period in which they are approved.

Financial liabilities

Financial liabilities are initially recognised at their fair value, net of ancillary charges, and following the initial recognition are measured at amortised cost using the effective interest method. The difference between the amortised cost and the repayment amount is recognised in the income statement according to the duration of

the liabilities based on interest accrued. Financial liabilities hedged by derivatives, where hedge accounting rules apply, are measured in the same way as the hedging instrument.

Employee benefits

Post-employment benefits for Italian companies are considered defined benefit plans for IAS 19. Guaranteed benefits to employees, in the form of post-employment benefits, provided to coincide with the end of the working relationship are recorded at the expected future value of the benefits that the employees will receive and which have matured in the current and previous years. The benefits are discounted and the liability is stated net of the fair value of any pension plan assets. These net obligations are calculated separately for each plan on the basis of actuarial assumptions, and are evaluated at least once a year with the assistance of an independent actuary using the projected unit credit method.

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

Share-based payment transactions

YOOX S.p.A. awards additional benefits to some directors, managers, white-collars, consultants and other employees through stock option plans and the Company incentive plan. In accordance with IFRS 2 – Share-based payment, these are classified as equity settled. The total amount of the present value of the stock options and the Company incentive plan at the grant date is therefore recognised in the income statement as a cost. Changes to the present value after the grant date have no effect on the initial measurement. The remuneration cost, which amounts to the present value of the 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 balancing entry under equity.

Provisions for risks and charges

Provisions for risks and charges are made for expenses for Company obligations that are legal or implicit (under contracts or otherwise), deriving from a past event. They are recognised if it is likely that resources will have to be used to fulfil the obligation, and if a reliable estimate of the obligation can be made. An implicit obligation is defined as an obligation that arises when the Company has notified other parties, via established practices, public company strategies or a sufficiently explicit announcement, that it will accept the obligation, in such a way that the third party expects the Company to honour the obligation. If it is estimated that these obligations will arise beyond 12 months and the related effects are significant, the obligations are discounted at a rate that takes account of the cost of money and the specific risk associated with the liability recognised. Any change in the estimated provisions is reflected in the income statement for the year in which it takes place. If obligations are discounted, the increase in the provision due to the passage of time and any effect arising from the change in the discount rate is recognised as a financial expense.

Trade and other payables

Trade and other payables falling due within normal commercial terms, usually less than a year, are recognised at the fair value of the initial amount plus transaction costs. After initial recognition, they are measured at amortised cost, with any differences shown in the income statement for the life of the liability, in line with the effective interest rate method. Trade and other payables, which are usually due within a year, are not discounted.

Revenue and income

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or due, taking into account any returns, allowances, trade discounts and volume rebates. Revenue is recognised when the

significant risks and rewards associated with ownership of the assets are transferred to the purchaser, recoverability of the consideration is probable, the related costs or any return of goods can be reliably estimated, and if management ceases to exercise the level of continuous operation normally associated with ownership of the goods sold.

The transfer of risks and rewards usually takes place when the goods are shipped to the customer, i.e. when the goods are handed over to the carrier.

Services

Revenue from the provision of services is recognised in the income statement on the basis of the stage of completion of the service at the reporting date. The stage of completion is measured according to the work performed.

Commission

When the Company acts as a commercial intermediary rather than as a principal, the revenue stated correspond to the net amount of the commission earned by the Company.

Dividends

Collectible dividends are recognised as income in the income statement at the date of their approval by the shareholders of the company distributing the dividend. Conversely, dividends are shown as changes in equity in the year in which they are approved by the shareholders.

Cost of goods sold

The cost of goods sold is the sum of the costs incurred by the Group in relation to all the assets on the basis of which it generates sales revenue, net of changes in finished product inventories. The cost of goods sold therefore includes the cost of purchasing the goods plus the direct and indirect ancillary costs, both internal and external, including transport costs and customs duties. Costs incurred for transporting goods are included under the cost of goods sold since they relate directly to sales revenue. The cost of goods purchased is carried at the fair value of the amount paid or agreed. Generally, the cost of goods purchased is therefore composed of cash and cash equivalents paid or payable in future on normal payment terms. On this basis, the cost of goods purchased is recognised according to the purchase price of the goods stated on the invoice, net of rebates, discounts and allowances.

The cost of goods purchased is adjusted to take account of any decisions to grant further discounts in addition to those contractually agreed, and any deferral of payments beyond 12 months that effectively represent a loan from the supplier to the Company. In the latter case, the present value of the cost of goods purchased is represented by the future cash flow compounded using a market interest rate. Similarly, when additional discounts for early cash payment are applied to the agreed terms of payment in the contract or invoice, the present value of the cost of goods purchased is shown gross of this further discount, which is recognised as interest income.

The change in goods inventories reflects the difference between initial inventories (the closing inventories from the previous year) and the closing inventories of the year under review.

The cost of goods sold also includes costs relating to revenue from assistance with the creation/maintenance of the Online Stores, which are invoiced to the Strategic Partners of the Online Stores in the Mono-brand business segment.

Fulfilment costs

These are costs incurred for:

- digital production, cataloguing and quality control: this item classifies costs incurred for “making ready” the goods purchased (labelling, classification and warehouse storage). They include costs for personnel, insurance, consultancy and the purchase of consumables. They also include a portion of the cost of

depreciating the assets involved in the process, vehicle hire costs and other expenses directly ascribable to the functions involved in the process;

- logistics: this item includes the cost of handling and packaging the goods, which comprises the costs of logistical warehouse management and related consultancy, as well as a portion of the amortisation/depreciation of property, plant and equipment and intangible assets, and the cost incurred for remuneration of personnel directly carrying out this function;

- customer services: these costs include all customer care expenses, including the costs of the call centre and the telephone and email services available to the customer, the costs of dedicated staff and the share of amortisation/depreciation of the related property, plant and equipment and intangible assets.

Sales and marketing costs and general and administrative expenses

Expenditure for these items is calculated at the fair value of the consideration paid or agreed.

Generally, these expenses are composed of cash and cash equivalents paid or payable in future on normal payment terms. On this basis, they are recognised according to the price of the services stated on the invoice, net of rebates and discounts.

These expenses are adjusted in the event of discounts on contractually agreed amounts and deferral of payments beyond 12 months that effectively represent a loan from the supplier to the Company.

In this event, the present value of the cost of services consists of the future cash flow compounded using a market interest rate.

When additional discounts for early cash payment are applied to the agreed terms of payment in the contract or invoice, the present value of the cost of services provided is shown gross of this further discount, which is recognised as interest income.

The cost is stated on an accruals basis (based on the stage of completion of the service at the reporting date).

Costs for which the Company believes it will incur a disbursement during the year, without being able to quantify the precise amount of the disbursement, are recognised in the income statement as reasonable estimates.

Rental charges and operating lease payments

Rental charges and operating lease payments are recognised in the income statement on an accruals basis (at the time when the economic benefits deriving from the rented or leased assets are recognised). In the event that the economic benefits are lower than the unavoidable minimum charges and the contract is therefore classified as onerous, the costs are recognised immediately in the income statement as the difference between the discounted charges and benefits.

Financial income and expenses

Financial income includes interest earned on cash investments and gains on hedging instruments recognised in the income statement. Interest income is recognised in the income statement on an accrual basis using the effective interest method. Financial expenses include interest expense on loans and losses on hedging instruments recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest method.

Income taxes

The tax burden for the year includes the current and the deferred tax liability. Income taxes are recognised in the income statement, except for those relating to any transactions recognised directly in equity.

Current tax is the estimated amount of income tax owed, calculated on the basis of taxable income for the year by applying the tax rates in force or substantially in force at the reporting date together with any adjustments to the amounts from previous years.

Deferred tax is recognised in accordance with the equity method by calculating temporary differences between the recognised carrying amount of assets and liabilities and the corresponding amounts recognised for tax purposes. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable in the year in which the asset or liability will be realised or settled, based on the tax rates established under the regulations in force or substantially in force at the reporting date. Deferred tax assets and liabilities are offset if there is a legally exercisable right to offset current tax assets against current tax liabilities, and if the deferred tax assets and liabilities relate to income tax levied by the same tax authority from the same taxable party or from different taxable parties that intend to settle their current tax assets and liabilities on a net basis, or to realise their tax assets and settle their tax liabilities at the same time.

Deferred tax assets are recognised to the extent it is likely that future taxable income will be sufficient for these assets to be used. The carrying amount of deferred tax assets is revised at every reporting date and is reduced to the extent that the related tax benefit is no longer likely to be realised.

Additional income tax resulting from any distribution of dividends is recognised when the liability to pay dividends is recognised.

Earnings per share

Basic earnings per share are calculated as the ratio of the profit or loss pertaining to owners of the Parent to the weighted average number of ordinary shares outstanding during the year, excluding any own shares in portfolio. Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding on the assumption that all the options granted with a dilutive effect will be converted into ordinary shares. The Parent has a category of potential ordinary shares with a dilutive effect for its stock option plans.

5. Changes to accounting standards, new accounting standards, changes to estimates and reclassifications

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

In the amendment to IAS 24 – *Related party disclosure* – the IASB has simplified the disclosure requirements regarding related parties where public bodies are involved and has provided a new definition which involves a relation between related parties irrespective of the legal status for all direct relations linked by relations of control, joint control or considerable influence and the presence of control or joint control in even only one leg of the relations.

The amendments of the IASB in May 2010 were implemented in Commission Regulation (EU) No 149/2011. The standards involved and amendments are listed below.

IAS 1 – *Presentation of financial statements*:

- the modification included the principle with clarifications about completing the table for changes in equity and specifically introduced the requirement to present the reconciliation of the changes for each equity component and an analysis of each item of other comprehensive income in the notes or in the financial schedules.

IAS 34 – *Interim financial reporting*:

- the improvement clarified, through a non-exhaustive list, the facts and the transactions for which disclosure would have to be provided, if these facts and transactions are considered to be significant; the modification introduced the need for clarification about the changes that took place during the year which affected the fair value of the financial instruments, the transfer of fair value levels between the hierarchies used in the measurement of financial instruments, and the modifications to the classification of financial instruments as a result of modifications in their use and their scope; the requirement to provide disclosure about changes in contingent liabilities or assets at the reporting date of the last year was also eliminated.

IFRS 7 – *Financial instruments: disclosures*:

- the improvement introduced the obligation to disclose qualitative information in the context of quantitative information which allows users of the financial statements to link the related information and therefore represent a general framework of the nature and the extent of the risks deriving from the financial instruments; a requirement to supply information about the interaction between qualitative and quantitative additional information surrounding the nature and the scope of financial instrument inherent risks was also introduced;
- the obligation to provide information concerning financial assets that have expired but been renegotiated or impaired has been eliminated.

Amendments and interpretations that came into effect from January 1, 2011 but that are not relevant for the Group

The principles involved and amendments are listed below.

IFRS 1 – *First-time adoption of international financial reporting standards*:

- the amendment introduced exemption for IFRS first-time adopters from providing disclosure about changes in accounting policies in the year of first-time adoption;
- the amendment provided clarification about the use of fair value as deemed cost.

IFRS 3 – *Business combinations*:

The improvement clarifies that the possibility of measuring all components of non-controlling interests at fair value or in proportion to the share of non-controlling interests in the identifiable net assets of the acquiree is only limited to those components representing instruments that currently give non-controlling interests rights equivalent to ordinary shares and specifically in proportion to net assets in the case of liquidation. All the other components relating to non-controlling interests (such as, for example, privileged shares or warrants issued by the company acquired to third parties) must be measured at fair value unless the IFRS gives another measurement criterion.
The improvement also provides guidance for the accounting treatment of the exchange of the share-based payment awards of an acquiree with those of the buyer.

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

- the guidance for acquiring subsidiaries in stages;
- the right to measure any non-controlling interests acquired during a partial acquisition at fair value;
- the allocation of all costs connected to the business combination to the income statement;
- the recognition of contingent liabilities at the acquisition date.

IFRIC 13 – *Customer loyalty programmes*:

- assessment at fair value has been introduced for award credits.

IAS 32 – *Financial instruments: Presentation*:

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

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

- the issue of equity instruments should be commensurate with the consideration paid;
- equity instruments are measured at the fair value at the date they are extinguished. If the fair value cannot be reliably measured, the fair value of the extinguished liability is adopted;
- the difference between the consideration paid and the carrying amount of the financial liability extinguished is recognised in the income statement;
- the interpretation cannot be applied to transactions under joint control or between shareholders and creditors;
- as far as partial reissues are concerned, the consideration paid should be allocated to the remaining liabilities and to those which have been extinguished, and the 10% test should be carried out to check

the substantial modification of the liability whilst the transaction costs can only be deferred in the case of modifications that are not substantial.

New accounting standards and amendments not applicable in 2011 and not adopted early

The standards involved and amendments are listed below.

IAS 27 – *Consolidated and separate financial statements*:

- the standard has been amended in view of the introduction of IFRS 10. The amendment establishes that it is not compulsory to draw up separate financial statements, but if they are produced they come under the scope of this standard. The amendment involves: the recognition of investments in subsidiaries, associates and joint ventures at cost or in compliance with IFRS 9, the payment of dividends, reorganisations within the Group structure and disclosure to be presented.

IFRS 10 – *Consolidated financial statements* and IFRS 12 – *Disclosure of interests in other entities*

The Board has:

- revised the definition of control and the related application guidance so that all entities apply the same control model; and
- improved the disclosure provided about consolidated and non-consolidated entities.

The Board has provided the full guidelines for establishing in which circumstances a special purpose vehicle or an entity in which the majority of voting rights is not held (even potential ones) should or should not be consolidated.
To sum up, control is held where it can be demonstrated that the investor has the power to decide about the activities of the business it has invested in (investee) and is exposed to the variable nature of the business returns and therefore has the ability to use its own power to affect returns.
On May 12, 2011, the IASB published IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interests in Other Entities*.

IFRS 11 – *Joint arrangements*

The Board has improved:

- the recognition of the joint venture agreements defining a principle-based approach in which the entity recognises the contractual rights and obligations of the agreement in its financial statements; and
- the quality of the disclosure supplied to provide investors with a better understanding of the nature and the financial effects of the transaction that has taken place.

The IASB has separated the joint arrangements into three categories: joint operations, joint assets and joint ventures. To establish which category a joint arrangement comes under, the substance of the agreement needs to be considered and one should not be limited to the formal aspect alone. In joint operations and joint assets, the investor contractually acquires a right to a given asset (or to a share of an asset) and/or assumes a given liability (or a share of a liability), while in joint ventures, the investor acquires the right to obtain a share of the results produced by the group of assets and liabilities controlled jointly by all the venturers. The contracting party in a joint operation or a joint asset recognises the assets (or a share of the assets) that they acquire, the liabilities (or a share of the liabilities) that they take on following the contract and the related costs and revenues (or a share of the related costs and revenues) directly in their financial statements, while the contracting party in a joint venture recognises their share of the investment in the joint venture in their consolidated financial statements, applying the equity method, and therefore the proportional consolidation of joint ventures is no longer permitted. It is assumed that a business that is subject to joint control is a joint venture, unless the circumstances (i.e. the contractual rights and obligations) demonstrate otherwise.
On May 12, 2011, the IASB published IFRS 11 *Joint Arrangements* which replaces IAS 31 *Investments in joint ventures*.

IFRS 13 – *Fair value measurement*

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

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

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

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

Income statement

6.1 Net revenue

The Parent's net revenue from sales and the provision of services for 2011 and 2010 breaks down as follows:

Description	2011	2010	Change
Net revenue from sales	235,449	173,063	62,386
Revenue from the provision of services	13,752	10,314	3,438
Total	**249,201**	**183,377**	**65,824**

Net revenue from sales increased by 36.0%, from Euro 173,063 thousand in 2010 to Euro 235,449 thousand in 2011. Net revenue includes all revenue arising from the sale of goods, net of customer discounts and returns.

The marked rise in net revenue from the sale of goods in 2011 is essentially attributable to the uptrend in sales volumes linked to the increase in the number of orders and the average order value by the customer.

Revenue from sales is presented net of sales returns, amounting to Euro 61,025 thousand in 2011, or 20.6% of 2011 gross revenue (revenue from sales before customer returns in 2011) and Euro 48,263 thousand in 2010, or 21.8% of 2010 gross revenue (revenue from sales before customer returns in 2009). Returns are an inherent part of the Company's business activities, resulting from legislation safeguarding consumers in the countries where the Company operates in relation to mail order sales, and in particular e-commerce.

Revenue from the provision of services, which rose by 33.3% from Euro 10,314 thousand in 2010 to Euro 13,752 thousand in 2011, mainly comprises:

- the recharging of transport services for sales to the end customer (in certain countries the customer also pays for return shipments), net of refunds made if the customer returns the goods sold;
- revenue from the set-up fees charged to create the Online Stores and fees charged to Strategic Partners in the Mono-brand business segment for assistance in maintaining the Online Stores;
- revenue generated from the sale of media partnership projects and web marketing services.

6.2 Cost of goods sold

The cost of goods sold amounts to Euro 167,935 thousand (67.4% of net revenue) for the year ended December 31, 2011, compared with Euro 123,055 thousand (67.1% of net revenue) for 2010, representing an increase of Euro 44,881 thousand. The item includes costs deriving from the purchase of goods for sale, the cost of services and other costs.

The following table shows a breakdown of the cost of goods sold by nature:

Description	2011	2010	Change
Change in inventories of goods	19,018	21,703	(2,685)
Purchase of goods	(164,121)	(128,388)	(35,733)
Cost of services	(20,641)	(15,014)	(5,628)
Other costs	(2,191)	(1,356)	(835)
Total	**(167,935)**	**(123,055)**	**(44,881)**

Purchase of goods increased by 27.8%, from Euro 128,388 thousand in 2010 to Euro 164,121 thousand in 2011. This item comprises costs for the procurement of goods for resale, the absolute value of which directly correlates to volumes sold.

Cost of services increased by 37.5%, from Euro 15,014 thousand in 2010 to Euro 20,641 thousand in 2011. This item includes transportation costs for sales and returns. A portion of the transportation costs is invoiced directly to the end customer and recognised as revenue from the provision of services, net of refunds on customer returns.

Other costs increased by 61.6%, from Euro 1,356 thousand in 2010 to Euro 2,191 thousand in 2011. 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.

6.3 Fulfilment costs

Fulfilment costs came in at Euro 26,593 thousand (10.7% of net revenue) in 2011, compared with Euro 18,764 thousand (10.2% of net revenue) in 2010, an increase of Euro 7,829 thousand.

This cost comprises operational expenses incurred from digital production, cataloguing and quality control, from warehouse logistics, and from customer services.

The following table shows the breakdown of fulfilment costs:

Description	2011	2010	Change
Service costs and other costs	(19,435)	(14,231)	(5,204)
Personnel expenses	(5,012)	(4,027)	(985)
Depreciation and amortisation	(2,147)	(506)	(1,641)
Total	**(26,593)**	**(18,764)**	**(7,829)**

Service costs and other costs increased by 36.6%, from Euro 14,231 thousand in 2010 to Euro 19,435 thousand in 2011. They mainly comprise service costs for handling and packaging goods and costs relating to outsourced production processes.

Personnel expenses increased by 24.4%, from Euro 4,027 thousand in 2010 to Euro 5,012 thousand in 2011, as a result of the increase in the number of staff employed in this division. The item includes Euro 243 thousand (Euro 134 thousand in 2010) relating to the granting of stock options and the company incentive plan. In addition to the cost of employees, personnel expenses also include the cost of interns, partners and consultants that come under personnel expenses.

6.4 Sales and marketing costs

Sales and marketing costs increased by Euro 3,348 thousand in the year ended December 31, 2011, to Euro 19,179 thousand (7.7% of revenue), compared with Euro 15,831 thousand (8.6% of revenue) for 2010.

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 (including costs for online affiliation activities, i.e. sales commission paid to commercial intermediaries, and for consultancy services for the creation and development of advertising campaigns and procurement). Sales and marketing expenditure also includes 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	2011	2010	Change
Cost of services and other costs	(10,832)	(8,695)	(2,137)
Personnel expenses	(8,318)	(7,106)	(1,212)
Depreciation and amortisation	(29)	(30)	1
Total	**(19,179)**	**(15,831)**	**(3,348)**

Cost of services and other costs increased by 21.4%, from Euro 8,695 thousand in 2010 to Euro 10,832 thousand in 2011. The main components of service costs incurred in 2011 are:

- web marketing costs of Euro 4,967 thousand (Euro 5,488 thousand in 2010). These costs relate to the purchasing of online advertising, the negotiation and implementation of marketing agreements and the development of new partnerships as well as the commercial and technical management of existing partnerships, mainly for the Multi-brand business segment;

- expenses for credit card transactions of Euro 2,806 thousand (Euro 2,167 thousand in 2010).

“Other costs” mainly comprise costs incurred for fraud relating to online sales, which went from Euro 468 thousand in 2010 to Euro 272 thousand in 2011.

Personnel expenses went from Euro 7,106 thousand in 2010 to Euro 8,318 thousand in 2011, an increase of 17.1% due both to an increase in the number of staff employed in this division, which went from 112 at December 31, 2010 to 146 at December 31, 2011, and to the increase in the cost of stock option plans and the company incentive plan which went from Euro 1,079 thousand in 2010 to Euro 1,370 thousand in 2011. In addition to the cost of employees, personnel expenses also include cost of interns, partners and consultants that comes under personnel expenses.

6.5 General expenses

General expenses include all the overheads of the Parent’s various offices pertaining to personnel management, administration, finance and control, communications and image, general management, general services and technological services.

General expenses rose by Euro 6,605 thousand in 2011, coming in at Euro 21,928 thousand compared with Euro 15,322 thousand in 2010.

General expenses can be broken down as follows:

Description	2011	2010	Change
Cost of services	(7,453)	(3,407)	(4,046)
Personnel expenses	(9,093)	(8,751)	(343)
Depreciation and amortisation	(5,382)	(3,164)	(2,217)
Total	**(21,928)**	**(15,322)**	**(6,605)**

Cost of services increased by 118.7%, from Euro 3,407 thousand in 2010 to Euro 7,453 thousand in 2011.

Personnel expenses went from Euro 8,751 thousand in 2010 to Euro 9,093 thousand in 2011, an increase of 3.9%. The number of staff employed in this division went from 156 at December 31, 2010 to 188 at December 31, 2011, and costs relating to stock option plans and the company incentive plan went from Euro 2,429 thousand in 2010 to Euro 2,554 thousand in 2011. In addition to the cost of employees, personnel expenses also include the cost of interns, partners and consultants that comes under personnel expenses.

Depreciation and amortisation increased by 70.1%, from Euro 3,164 thousand in 2010 to Euro 5,382 thousand in 2011.

6.6 Other income and expenses

Other income and expenses decreased by Euro 198 thousand, to a total negative figure of Euro 185 thousand for year ended at December 31, 2011 compared with a total negative figure of Euro 383 thousand for 2010.

Other income and expenses can be broken down as follows:

Description	2011	2010	Change
Prior year income	275	169	106
Theft and losses	(347)	(300)	(47)
Other tax charges	(178)	(165)	(13)
Other income/expenses	51	(56)	107
Provisions for sundry risks	(29)	(69)	40
Reimbursements	42	37	6
Total	**(185)**	**(382)**	**198**

Prior year income increased to Euro 275 thousand (Euro 169 thousand in 2010). The item includes income and expenses derived from ordinary management activities.

“Theft and losses” relate to occurrences of theft or loss of goods sent to end customers that are already identified as missing at year end, net of the relevant insurance cover.

Other tax charges increased by 8.1%, from Euro 165 thousand in 2010 to Euro 178 thousand in 2011.

Provisions for sundry risks in 2011 relate to the estimated charge incurred due to theft and loss of goods not identified as missing at year end.

6.7 Operating profit

As required by IAS 1, the following is a breakdown of costs by nature used to determine the operating profit.

Description	2011	2010	Change
Net revenue	249,201	183,377	65,824
Change in inventories	19,018	21,703	(2,685)
Purchase of goods	(164,121)	(128,388)	(35,733)
Services	(57,656)	(40,992)	(16,664)
Personnel expenses	(22,423)	(19,884)	(2,539)
Amortisation, depreciation and impairment losses	(7,558)	(3,701)	(3,857)
Other costs and revenues	(3,080)	(2,093)	(988)
Operating profit	**13,381**	**10,022**	**3,359**

Operating profit increased from Euro 10,022 thousand in 2010 to Euro 13,381 thousand in 2011. The operating margin went from 5.5% in 2010 to 5.4% in 2011.

Personnel expenses include all employment related expenses, such as merit pay rises, promotions, cost-of-living adjustments, variable remuneration for 2011, 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 grant date and vesting dates, with a direct balancing entry in equity and payables to employees.

At December 31, 2011, the headcount totalled 426 (351 at December 31, 2010). The table below shows the breakdown of the headcount at year end[22]:

Description	2011	2010
Managers	24	16
Junior managers	34	30
Employees	368	305
Total	**426**	**351**

An increase of around 21.4% in headcount was therefore recorded at the end of 2011 by comparison with the previous year.

6.8 Financial income and expenses

Financial income increased from Euro 866 thousand in 2010 to Euro 622 thousand in 2011.

The following table shows the breakdown of financial income:

Description	2011	2010	Change
Exchange rate gains	569	620	(51)
Interest income on current account	36	48	(12)
Other financial income	16	198	(182)
Total	**622**	**866**	**(244)**

Exchange rate gains decreased from Euro 620 thousand in 2010 to Euro 569 thousand in 2011. They mainly relate to translation of US dollars and Japanese yen items and are strictly connected to the ordinary sale and purchase of goods.

Other financial income decreased from Euro 198 thousand in 2010 to Euro 16 thousand in 2011.

Financial expenses increased from Euro 949 thousand in 2010 to Euro 1,018 thousand in 2011.

The following table shows the breakdown of financial expenses:

Description	2011	2010	Change
Exchange rate losses	(496)	(629)	133
Interest expense	(234)	(65)	(169)
Other financial expenses	(288)	(255)	(33)
Total	**(1,018)**	**(949)**	**(69)**

Exchange rate losses, realised and unrealised, went from Euro 629 thousand in 2010 to Euro 496 thousand in 2011. They mainly relate to translation of US dollars and Japanese yen items and are strictly connected to the ordinary sale and purchase of goods.

Other interest expenses increased by more than 100%, from Euro 65 thousand in 2010 to Euro 234 thousand in 2011.

Other financial expenses went from Euro 255 thousand in 2010 to Euro 288 thousand in 2011. These expenses refer to the issue by credit institutions of guarantees in favour of third parties on behalf of the Group. This item includes premiums paid on exchange rate hedging contracts as well as the fair value measurement of these premiums.

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

6.9 Taxes

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

Description	2011	2010	Change
Current corporate income tax (1)	(3,035)	(2,941)	(94)
Current regional income tax (2)	(1,275)	(1,107)	(168)
Deferred taxes	(615)	168	(783)
Total	**(4,925)**	**(3,880)**	**(1,045)**

(1) IRES: Imposta sul Reddito delle Società (Corporate or Company Tax)
(2) IRAP: Imposta Regionale sulle Attivita Produttive (Regional Tax on Production Activities)

The Parent has incurred a greater tax burden in absolute terms compared with 2011. Current taxes have increased from Euro 4,048 thousand to Euro 4,310 thousand.
IRAP taxes rose 15% for the Parent from Euro 1,107 thousand at December 31, 2010 to Euro 1,275 thousand at December 31, 2011. IRES taxes for the Parent amounted to Euro 3,035 thousand.

The Parent also recognised deferred tax assets totalling Euro 1,920 thousand and deferred tax liabilities of Euro 126 thousand. Deferred tax assets of Euro 2,481 thousand and deferred tax liabilities of Euro 72 thousand that were recognised in 2010 were also reversed.

The amount in the income statement does not include the Euro 269 thousand of deferred taxes for the share premium reserve, in compliance with provisions of IAS 32. The deferred tax assets reversed include the deferred tax assets recognised directly against the share premium reserve of Euro 537 thousand set aside in 2010.

The following table shows the reconciliation between theoretical taxes calculated at the tax rate in effect in Italy and the taxes recognised in the separate financial statements.

(Thousand Euro)	2011	2010
Profit before tax	12,984	9,939
Rate	27.50%	27.50%
Theoretical tax	3,571	2,733
Effective tax	4,925	3,880
Difference	**1,354**	**1,147**
IRAP	1,275	1,107
Permanent taxes	476	263
Use of tax losses carried forward	-	-
Deferred taxes	(397)	(223)
Total difference	**1,354**	**1,147**

6.10 Basic and diluted earnings per share

Earnings per share are calculated on the basis of the Parent's performance given in Note 9.10 of the consolidated financial statements which should be referred to.

Statement of financial position

6.11 Property, plant and equipment

At December 31, 2011, property, plant and equipment totalled Euro 19,067 thousand. The following is a summary of changes therein in 2011:

Description	Historical cost at Dec. 31. 2010	Increases	Decreases	Historical cost at Dec. 31, 2011	Acc. depreciation at Dec. 31, 2010	Depreciation	Utilisation	Acc. depreciation at Dec. 31, 2011	Carrying amount at Dec. 31, 2010	Carrying amount at Dec. 31, 2011
Plant and equipment	**1,901**	**12,048**	**(13)**	**13,937**	**(1,039)**	**(1,415)**	**13**	**(2,441)**	**862**	**11,495**
Buildings	**1,432**	**2,752**	**-**	**4,184**	**(842)**	**(635)**	**-**	**(1,477)**	**590**	**2,707**
Leasehold improvements	1,432	2,752	-	4,184	(842)	(635)	-	(1,477)	590	2,707
Industrial and commercial equipment	**1,108**	**1,124**	**(8)**	**2,224**	**(657)**	**(349)**	**1**	**(1,005)**	**451**	**1,219**
Other assets	**4,613**	**2,567**	**(103)**	**7,077**	**(2,443)**	**(1,090)**	**102**	**(3,432)**	**2,170**	**3,646**
Furniture and furnishings	775	657	-	1,433	(546)	(261)	-	(807)	230	626
Electronic equipment	3,706	1,910	(103)	5,513	(1,791)	(822)	102	(2,511)	1,915	3,002
Other property, plant and equipment	130	-	-	130	(105)	(7)	-	(113)	24	17
Assets under construction and payments on account	**4,156**	**-**	**(4,156)**	**-**	**-**	**-**	**-**	**-**	**4,156**	**-**
Total	**13,210**	**18,491**	**(4,280)**	**27,421**	**(4,981)**	**(3,489)**	**116**	**(8,354)**	**8,229**	**19,067**

The overall increase in property, plant and equipment in 2011 was equal to Euro 10,838 thousand.

Investments in property, plant and equipment are mainly linked to investments in the highly automated technologistics platform, a project in which the Group has been investing since the fourth quarter of 2010.
This involved the increase in “Plant and equipment” of Euro 10,633 thousand as well as “Industrial and commercial equipment” for a sum equal to Euro 776 thousand.

Under the scope of the project mentioned above, at December 31, 2011 the YOOX Group has existing commitments to purchase assets for a sum of Euro 2,335 thousand which will be sustained overall in the years 2012-2016.

The increase in “Leasehold improvements” equal to Euro 2,752 thousand is due essentially to permanent rebuilding works on buildings rented for offices in which the Group operates, with special reference to the refurbishment/completion of the Zola Predosa offices and the new offices in Milan.

The total increase in “Other assets” of Euro 1,464 thousand is due to investment in new servers, PCs and monitors held under finance leases, for an increased value of Euro 1,075 thousand. The remaining increases equal to Euro 396 thousand mainly refer to new data archiving structures and costs incurred by the Group principally for furnishing the offices located in Bologna and Milan.

Depreciation for the year totalled Euro 3,505 thousand.

At December 31, 2011, there were no liens or encumbrances on YOOX S.p.A. property, plant and equipment.

Moreover, no impairment losses or revaluations were carried out on items of property, plant and equipment in 2011. In the year under review, no borrowing costs were ascribed to assets in the statement of financial position.

6.12 Intangible assets with finite useful life

Intangible assets amounted to Euro 12,168 thousand at December 31, 2011.

The following is a summary of changes in intangible assets with finite useful life in 2011:

Description	Historical cost at Dec. 31, 2010	Increases	Decreases	Historical cost at Dec. 31, 2011	Acc. amortisation at Dec. 31, 2010	Amort.	Acc. amortisation at Dec. 31, 2011	Carrying amount at Dec. 31, 2010	Carrying amount at Dec. 31, 2011
Development costs	**9,305**	**8,088**	**-**	**17,393**	**(3,150)**	**(3,246)**	**(6,396)**	**6,155**	**10,997**
Software and licences	**2,871**	**661**	**-**	**3,532**	**(2,264)**	**(550)**	**(2,814)**	**607**	**718**
Brands and other rights	**197**	**152**	**-**	**349**	**(92)**	**(32)**	**(124)**	**105**	**225**
Trademarks and patents	197	152	-	349	(92)	(32)	(124)	105	225
Assets under development	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other	**1,519**	**194**	**-**	**1,713**	**(1,259)**	**(225)**	**(1,484)**	**260**	**229**
Other intangible assets	1,519	194	-	1,713	(1,259)	(225)	(1,484)	260	229
Total	**13,892**	**9,095**	**-**	**22,987**	**(6,765)**	**(4,053)**	**(10,818)**	**7,127**	**12,168**

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

Development costs

This item increased by Euro 4,842 thousand in 2011. The Group made consistent long-term investments in development projects for a total amount of Euro 8,088 thousand. These are costs incurred by YOOX S.p.A. for specific projects aimed at the ongoing development of innovative solutions for the creation and management of Online Stores. Development projects have been classified according to the area in which the various initiatives take place: platform e-commerce functional development, management development of productivity and development of service security and continuity.
These costs relate both to internal personnel costs and to the costs of services provided by third parties. In line with the strategy defined in previous years, the number of development projects outsourced to external suppliers increased significantly. Expenses for research-related activities, which are carried out with a view to obtaining new scientific or technical knowledge and discoveries, are recognised in the income statement at the time they are incurred.

Software and licences

The increase of Euro 661 thousand in this item includes expenditure with long-term benefits, principally relating to the acquisition of software licences to build the infrastructure of the Online Stores.

Brands and other rights

The value of this item at December 31, 2011 stood at Euro 225 thousand, an increase of Euro 120 thousand during 2011.

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

Assets under development

At December 31, 2011, this item stood at Euro 0 thousand as all projects in progress during 2011 were completed at December 31, 2011.

The amortisation for intangible assets with finite useful life stood at Euro 4,053 thousand.

6.13 Investments in subsidiaries

The list of subsidiaries at December 31, 2011 is made up of the following companies controlled by YOOX S.p.A.:

- YOOX Corporation, formed in 2002 to manage sales activities in North America;
- YOOX Japan, formed in 2004 to manage sales activities in Japan;
- Y Services, formed in 2007 to manage the US sales of the Online Stores for the following brands: Diesel, Marni, D&G, Dolce & Gabbana, Moncler and Zegna;
- Mishang Trading (Shanghai) Co. Ltd., established in the fourth quarter of 2010 to manage sales in China;
- YOOX Asia Limited, established in the second quarter of 2011 to manage sales in the Asia-Pacific area.

Company (figures in thousand Euro)	*Registered offices*	*Carrying amount of subsidiaries at Dec. 31, 2011*	*Share capital at Dec. 31, 2011*	*Percentage held at Dec. 31, 2011*	*Equity at Dec. 31, 2011 and measurement using the equity method*	*2011 profit/(loss)*
YOOX Corporation	15 East North Dover, Delaware 19901, United States of America	248	248	100%	4,821	1,478
Y Services	Delaware, 1220 Market St. Ste 806, Wilmington 19801, United States of America	125	125	100%	1,078	369
YOOX Japan	Grande Maison Daikanyama No. 1001 150 0022 Shibuya-ku, Tokyo, Japan	75	75	100%	3,086	883
Mishang Trading (Shanghai) Co. Ltd.	Floor 6, Donglong Building No.223 Xikang Road, Jing'an District 200050 SHANGHAI	2,000	2,000	100%	936	(962)
YOOX Asia Limited	16 FL WESTERN PLAZA, 3 SAN ON STREET, TUEN MUN, N.T, 230, HONG KONG, CN	91	91	100%	481	354
Total carrying amount of investments		2,539	2,539			

The scope of consolidation underwent changes compared with December 31, 2010 through the establishment in the second quarter of 2011 of YOOX Asia Limited in order to manage sales in the Asia-Pacific area.

6.14 Deferred tax assets

Description	Dec. 31, 2011	Dec. 31, 2010	Change
Deferred tax assets	2,525	3,044	(519)
Total	**2,525**	**3,044**	**(519)**

Changes in deferred tax assets during 2011 are shown in the following table:

Description	Dec. 31, 2010	Increases	Utilisation	Dec. 31, 2011
Deferred tax assets	3,044	2,525	(3,044)	2,525
Total	**3,044**	**2,525**	**(3,044)**	**2,525**

The following table shows a breakdown of deferred tax assets at December 31, 2011.

Description of taxable item	*Dec. 31, 2011*	*2011 tax rate*	*Tax recognised in 2011*
Taxed allowance for impairment	200	27.5%	55
Independent auditors' fees	52	31.4 %	16
Provisions	3,908	Various	1,132
Unissued credit notes	742	31.4%	233
Expenses for Red Circle 2009 capital increase	40	27.5%	11
Unrealised exchange rate losses	182	27.5%	50
2009 IPO costs	2,516	27.5%	692
Fair value derivatives	1,218	27.5%	335
Total	**8,858**		**2,525**

Deferred tax assets decreased by 17% from Euro 3,044 thousand at December 31, 2010 to Euro 2,525 thousand at December 31, 2011.

Deferred tax assets at December 31, 2011 were recognised in relation to:

- the tax allowance for impairment;

- the provisions for obsolete inventories;
- the provisions for risks and charges (provisions for disputes, provisions for fraud and provisions for theft and loss, respectively);
- unissued and non-deductible credit notes;
- expenditure on the share capital increase for entry of Red Circle S.r.l. Unipersonale as a Shareholder, which took place during 2009;
- unrealised exchange rate losses;
- IPO costs incurred in 2009 for the process of listing on the Mercato Telematico Azionario, the Italian screen-based trading system which is organised and managed by Borsa Italiana S.p.A.;
- fair value derivatives at December 31, 2011;
- independent auditors' fees;

6.15 Other non-current financial assets

Other non-current financial assets totalled Euro 74 thousand at December 31, 2011 (Euro 67 thousand at December 31, 2010):

Description	Dec. 31, 2011	Dec. 31, 2010	Change
Guarantee deposits	74	67	7
Total	**74**	**67**	**7**

Guarantee deposits at December 31, 2011 relate to leases and contracts for the supply of electricity and gas. Other non-current financial assets are due over more than five years.

6.16 Inventories

Description	Dec. 31, 2011	Dec. 31, 2010	Change
Inventories	84,137	64,778	19,359
Total	**84,137**	**64,778**	**19,359**

The following is a breakdown of inventories at December 31, 2011:

Description	Dec. 31, 2011	Dec. 31, 2010	Change
Inventories of raw materials, consumables and supplies	771	293	478
Total	**771**	**293**	**478**
Finished products and goods	87,152	69,321	17,831
Provision for obsolete finished products and goods	(3,786)	(4,836)	1,050
Total	**83,366**	**64,485**	**18,881**
Total net inventories	**84,137**	**64,778**	**19,359**

Inventories rose by 29.9% from Euro 64,778 thousand at December 31, 2010 to Euro 84,137 thousand at December 31, 2011, and relate to goods that have been purchased for subsequent resale online.

The increase that can be observed is only partly connected to the growth in sales in 2011. The Parent's business model makes provision for the early procurement of the goods which may take place in the year prior to the sales season.

Goods from previous collections and/or obsolete goods are written down with a Provision for obsolete inventories, calculated using the estimated realisable value of the goods.

The amount of the provision in 2011 for obsolete inventories and changes in the provision are shown below:

Description	*Dec. 31, 2010*	*Increases*	*Decreases*	*Dec. 31, 2011*
Provision for obsolete inventories	4,836	-	(1,050)	3,786
Total	**4,836**	**-**	**(1,050)**	**3,786**

The recognised provision for obsolete inventories has a carrying amount deemed appropriate for the actual quantities of obsolete or slow-moving goods.

6.17 Trade receivables

The breakdown of trade receivables at December 31, 2011 and December 31, 2010 is as follows:

Description	Dec. 31, 2011	Dec. 31, 2010	Change
Due from customers	2,207	2,692	(485)
Other trade receivables	4,112	5,040	(928)
Due from foreign subsidiaries	11,637	8,298	3,336
Allowance for impairment	(80)	(80)	-
Total	**17,873**	**15,951**	**1,922**

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 2011:

Description	*Dec. 31, 2010*	*Increases*	*Decreases*	*Dec. 31, 2011*
Allowance for impairment	80	-	-	80
Total	**80**	**-**	**-**	**80**

The Allowance for impairment covers specific risks relating to unpaid receivables and other receivables not considered recoverable. Provisions made during the various periods adjust the receivables to their estimated realisable value. There was no need during 2011 to make any further provision for the allowance for impairment.

6.18 Other current assets

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Other current assets	6,873	5,363	1,510
Total	**6,873**	**5,363**	**1,510**

The following is a breakdown of other current assets at December 31, 2011:

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Other receivables	1,481	3,103	(1,622)
Allowance for impairment – receivables from others	(221)	(221)	-
Advances to suppliers	102	41	61
Travel and payroll advances to employees	98	4	94
Due from acquirers	-	600	(600)
Pre-payments and accrued income	1,173	907	266
Tax receivables	1,450	900	550
Financial receivables from YOOX Corporation	1,932	-	1,932
Financial receivables from Mishang Trading Co Ltd.	858	-	858
Hedging derivatives	-	29	(29)
Total	**6,873**	**5,363**	**1,510**

"Other receivables" includes:

- mainly credit notes received from suppliers for which the latter must still refund money to the Company and from advances to the supplier for the purchase of goods for which the corresponding invoices have not yet been received (e.g.: payments on order, pre-payments);

- Euro 216 thousand in receivables for sums paid to the Parent's tax representative in Greece and fully impaired.

The Allowance for impairment – receivables from others, as previously mentioned, relates to the loan to the Greek tax representative, which is deemed unrecoverable.

Advances to suppliers show the advances made to suppliers for services acquired in 2011 and for which the suppliers have yet to provide the service.

Accrued income mainly includes costs of future years whose financial manifestation has already taken place during 2011. It mainly involves software licence fees, insurance costs, lease costs, accrued income for royalties paid for using brands and accrued income for professional consultancies; the increase compared with 2010 is consistent with the increase in business volumes.

Tax receivables, which are fully recoverable within one year, mainly comprise VAT credits.

6.19 Cash and cash equivalents and current financial assets

The breakdown of Cash and cash equivalents at December 31, 2011 is as follows:

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Bank and postal accounts	12,995	16,588	(3,593)
Cash and cash equivalents on hand	7	7	-
Total	**13,002**	**16,595**	**(3,593)**

The balance, entirely denominated in Euro except where expressly indicated, represents the cash and cash equivalents on hand at year end.

The breakdown of current financial assets at December 31, 2011 is as follows:

Description	*Dec. 31, 2011*	*Dec. 31, 2011*	*Change*
Banca Pop. di Novara securities account	-	5,000	(5,000)
Adjustment to the Amortised Cost of current financial assets	-	82	(82)
Due from acquirers	2,269	-	2,269
Total current financial assets	**2,269**	**5,082**	**(2,813)**

6.20 Equity

The breakdown of changes in equity at December 31, 2011 is presented in a separate schedule.

The share capital of Euro 531 thousand at December 31, 2011 (Euro 518 thousand at December 31, 2010) increased over the course of 2011 following the exercise of the stock option on the part of the beneficiaries in question.
On January 17, 2011, 104,000 ordinary shares were assigned following the exercise of 2,000 options relating to the 2007-2012 stock option plan, on January 28, 2011, 508,716 ordinary shares were assigned following the exercise in December 2010 of 9,783 options relating to the 2001-2003, 2003-2005 and 2006-2008 stock option plans, on February 14, 2011, 104,000 ordinary shares were assigned following the exercise of 2,000 options relating to the 2007-2012 stock option plan, on March 14, 2011, 138,632 ordinary shares were assigned following the exercise of 2,666 options relating to the 2007-2012 stock option plan, on April 14, 2011, 63,856 ordinary shares were assigned following the exercise of 1,228 options relating to the 2007-2012 stock option plan, on May 13, 2011, 93,600 ordinary shares were assigned following the exercise of 1,800 options relating to the 2007-2012 stock option plan, on July 14, 2011, 195,780 ordinary shares were assigned following the exercise of 3,765 options relating to the 2001-2003, 2006-2008 and 2007-2012 stock option plans, on August 11, 2011, 10,400 ordinary shares were assigned following the exercise of 200 options relating to the 2009-2014 stock option plan, on October 14, 2011, 81,172 ordinary shares were assigned following the exercise of 1,561 options relating to the 2007-2012 and 2009-2014 stock option plans, on November 14, 2011, 5,200 shares were assigned following the exercise of 100 options relating to the 2007-2012 stock option plan, on December 14, 2011, 5,200 ordinary shares were assigned following the exercise of 100 options relating to the 2007-2012 stock option plan, for a total of Euro 13 thousand.

The reserves are composed as follows:

- the share premium reserve was Euro 57,151 thousand at December 31, 2011 (Euro 55,390 thousand at December 31, 2010); this reserve increased over 2011 following the exercise of the stock option on the part of the beneficiaries in question. On January 17, 2011, 104,000 ordinary shares were assigned following the exercise of 2,000 options relating to the 2007-2012 stock option plan, on January 28, 2011, 508,716 ordinary shares were assigned following the exercise in December 2010 of 9,783 options relating to the 2001-2003, 2003-2005 and 2006-2008 stock option plans, on February 14, 2011, 104,000 ordinary shares were assigned following the exercise of 2,000 options relating to the 2007-2012 stock option plan, on March 14, 2011, 138,632 ordinary shares were assigned following the exercise of 2,666 options relating to the 2007-2012 stock option plan, on April 14, 2011, 63,856 ordinary shares were assigned following the exercise of 1,228 options relating to the 2007-2012 stock option plan, on May 13, 2011, 93,600 ordinary shares were assigned following the exercise of 1,800 options relating to the 2007-2012 stock option plan, on July 14, 2011, 195,780 ordinary shares were assigned following the exercise of 3,765 options relating to the 2001-2003, 2006-2008 and 2007-2012 stock option plans, on August 11, 2011, 10,400 ordinary shares were assigned following the exercise of 200 options relating to the 2009-2014 stock option plan, on October 14, 2011, 81,172 ordinary shares were assigned following the exercise of 1,561 options relating to the 2007-2012 and 2009-2014 stock option plans, on November 14, 2011, 5,200 shares were assigned following the exercise of 100 options relating to the 2007-2012 stock option plan, on December 14, 2011, 5,200 ordinary shares were assigned following the exercise of 100 options relating to the 2007-2012 stock option plan, for a total of Euro 2,029 thousand. The increase in the share premium reserve was recognised net of Euro 269 thousand in deferred tax assets accrued in 2009 and since released pursuant to IAS 32, and totalled Euro 1,760 thousand net of deferred taxes;

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

- the reserve for future share capital increases and the share premium reserve, which amounted to Euro 177 thousand at December 31, 2011 (Euro 935 thousand at December 31, 2010), includes liabilities to individuals who had paid to exercise stock options at December 31, 2011, but to whom the Company had not made the corresponding ordinary shares available by the end of the year;

- the reserve for purchasing treasury shares equal to a negative balance of Euro 1,315 thousand (negative balance of Euro 362 thousand at December 31, 2010). A share purchase programme was set up in order to comply with the decision of the meeting on October 7, 2009 and the Board of Directors on July 1, 2010. The share purchase programme was aimed at acquiring sufficient shares for the 2009-2014 incentive plan for employees of the Parent and its subsidiaries. Specifically, in their meeting of May 5, 2011, YOOX S.p.A. Shareholders granted authorisation to buy and sell treasury shares, pursuant to Articles 2357 and 2357-*ter* of the Italian Civil Code and Article 132 of Legislative Decree 58/1998 and related implementation provisions. Specifically and in compliance with the YOOX S.p.A. Shareholders' resolution of May 5, 2011, the programme refers to the purchase of YOOX S.p.A. ordinary shares, with no indication of par value, up to a maximum amount of 250,000 ordinary shares, for a total maximum amount of Euro 3,000,000. Under the scope of the treasury share purchase scheme servicing the YOOX S.p.A. 2009-2014 Incentive Scheme, the Company purchased:

    - in the period from July 2, 2010 to July 7, 2010, 62,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 5.836485 per share including commission, for a total of Euro 361,862.06;
    - in the period from August 5, 2011 to August 8, 2011, 60,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.594572 per share including commission, for a total of Euro 575,674.30;
    - on September 6, 2011, 5,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.5095 per share including commission, for a total of Euro 47,547.50;
    - on October 4, 2011, 27,331 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.500947 per share including commission, for a total of Euro 259,670.38;
    - on November 17, 2011, 7,669 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.276056 per share including commission, for a total of Euro 71,138.08;

  At December 31, 2011, the Company holds 162,000 treasury shares in its portfolio equal to 0.3052% of the share capital.
  At December 31, 2011, 11 of the 62 employees who were granted options lost this right as they resigned. This led to the forfeiture of 36,937 ordinary shares.

  The purchase of treasury shares is recognised as a direct decrease in equity in compliance with the provisions of IAS 32.

- other reserves, equal to Euro 11,102 thousand at December 31, 2011 (Euro 7,957 thousand at December 31, 2010) include the fair value reserve for stock options at Euro 11,984 thousand at December 31, 2011 (Euro 7,957 thousand at December 31, 2010) and the hedging reserve equal to a negative Euro 883 thousand (Euro 0 thousand at December 31, 2010);

- retained earnings (losses carried forward) amount to a loss of Euro 3,752 thousand at December 31, 2011 (a negative figure of Euro 5,364 thousand at December 31, 2010), an increase of Euro 9,117 thousand due to the allocation of profit for 2010.

6.21 Stock option plans and company incentive plans

Granting of stock options

Following approval of the share-split at the Extraordinary Shareholders' Meeting of the Parent on September 8, 2009, beneficiaries of stock option plans exercising their options will be entitled to 52 ordinary shares of the Company for every option exercised.

With reference to the stock option plans and company incentive plans involving a total of 16,914,664 shares reserved for employees, collaborators, consultants and directors of the Company and its subsidiaries, at December 31, 2011 the Board of Directors had granted the following options, outlined in the table below:

Stock option plans	*Granted (a)*	*Forfeited (b)*	*Exercised (c)*	*Total granted not forfeited or not exercised (d = a-b-c)*	*Granted, not vested*	*Granted, vested, not exercisable*	*Granted, vested and exercisable*
2001–2003	80,575	31,560	39,174	9,841	-	-	9,841
2003–2005	36,760	3,000	11,942	21,818	-	840	20,978
2004–2006	32,319	12,650	5,313	14,356	1,700	-	12,656
2006–2008	31,303	200	14,150	16,953	-	-	16,953
2007–2012	102,600	3,650	22,266	76,684	-	-	76,684
2009–2014	72,003	4,942	361	66,700	47,715	-	18,985
Total	**355,560**	**56,002**	**93,206**	**206,352**	**49,415**	**840**	**156,097**

At December 31, 2011, 19,724 options may be granted under the above plans.

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

	Strike prices[23]											
	€ 15.91	**€ 46.48**	**€ 59.17**	**€ 106.50**	**€ 131.78**	**€ 277.68**	**€ 305.24**	**€ 360.88**	**€ 407.16**	**€ 489.32**	**€ 521.56**	**€ 578.24**	**Total**
2001-2003	1,250	5,091	-	3,500	-	-	-	-	-	-	-	-	9,841
2003-2005	-	19,978	-	1,840	-	-	-	-	-	-	-	-	21,818
2004-2006	-	10,156	-	2,500	1,700	-	-	-	-	-	-	-	14,356
2006-2008	-	-	16,953	-	-	-	-	-	-	-	-	-	16,953
2007-2012	-	-	73,334	3,350	-	-	-	-	-	-	-	-	76,684
2009-2014	-	-	-	-	-	42,118	12,841	963	1,625	1,926	2,889	4,338	66,700
Total	**1,250**	**35,225**	**90,287**	**11,190**	**1,700**	**42,118**	**12,841**	**963**	**1,625**	**1,926**	**2,889**	**4,338**	**206,352**

With reference to the 2009-2014 stock option plan:

- on February 1, 2011, the condition precedent was verified relating to the granting to one beneficiary of 963 options valid for the subscription of 50,076 shares at a subscription price per share of Euro 6.94, which is calculated by taking the weighted average of the prices recorded by the shares on the Mercato Telematico Azionario (MTA), the Italian screen-based trading system organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the grant date;

- on February 9, 2011, the Board of Directors of the Parent granted 1,926 options, in favour of one beneficiary, valid for the subscription of 100,152 shares at a subscription price per share of Euro 9.41, which is calculated by taking the weighted average of the prices recorded by the shares on the Mercato Telematico Azionario (MTA), organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the grant date;

- on May 9, 2011, the Board of Directors of the Parent granted 4,338 options, in favour of five beneficiaries, valid for the subscription of 225,576 shares at a subscription price per share of Euro 11.12, which is calculated by taking the weighted average of the prices recorded by the shares on the Mercato Telematico Azionario (MTA), organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the grant date;

- on September 20, 2011, the Board of Directors of the Parent granted 2,889 options, in favour of two beneficiaries, valid for the subscription of 150,228 shares at a subscription price per share of Euro 10.03, which is calculated by taking the weighted average of the prices recorded by the shares on the

[23] The price indicated in the table is the strike price of the options. To obtain the strike price of the individual shares it is necessary to divide by 52 from the time which, as specified above, through the effect of the approval of the share split by the Parent's Extraordinary Shareholders' Meeting of September 8, 2009, the beneficiaries of the stock option plans will have the right, if they exercise their option rights, to obtain 52 ordinary Company shares for each option right exercised.

Mercato Telematico Azionario (MTA), organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the grant date.

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

Granting of shares

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

A treasury share purchase programme was set up for this purpose in order to comply with the decision of the Shareholders in their meeting on October 7, 2009 and the Board of Directors on July 1, 2010. The programme was aimed at acquiring sufficient shares for the 2009-2014 incentive plan for employees of the Parent and its subsidiaries.

Specifically, in their meeting of May 5, 2011, the YOOX S.p.A. Shareholders granted authorisation to buy and sell treasury shares, pursuant to Articles 2357 and 2357-*ter* of the Italian Civil Code and Article 132 of Legislative Decree 58/1998 and related implementation provisions.

Specifically and in compliance with the YOOX S.p.A. Shareholders' resolution of May 5, 2011, the programme refers to the purchase of YOOX S.p.A. ordinary shares, with no indication of par value, up to a maximum amount of 250,000 ordinary shares, for a total maximum amount of Euro 3,000,000.

Under the scope of the treasury shares purchase programme to service the YOOX S.p.A. 2009-2014 incentive plan, the Company bought:

- in the period from July 2, 2010 to July 7, 2010, 62,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 5.836485 per share including commission, for a total of Euro 361,862.06;
- in the period from August 5, 2011 to August 8, 2011, 60,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.594572 per share including commission, for a total of Euro 575,674.30;
- on September 6, 2011, 5,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.5095 per share including commission, for a total of Euro 47,547.50;
- on October 4, 2011, 27,331 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.500947 per share including commission, for a total of Euro 259,670.38;
- on November 17, 2011, 7,669 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.276056 per share including commission, for a total of Euro 71,138.08;

At December 31, 2011 the Company holds 162,000 own shares in its portfolio equal to 0.3052% of the share capital.

At December 31, 2011, 11 of the 62 employees who were granted options lost this right as they resigned. This led to the forfeiture of 36,937 ordinary shares.

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

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

At the same meeting on January 31, 2005, the Board of Directors also took full advantage of the powers conferred by the Extraordinary Shareholders' Meeting of July 31, 2000 and subsequent amendments, pursuant to Article 2443 of the Italian Civil Code, increasing the share capital to service the stock option plan via the issue of up to 1,483,924 new shares with an implicit unit price of Euro 0.01, a premium of Euro 0.8839 on each new share and standard dividend rights. Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline

for subscription was set at January 31, 2015, with the provision that, if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

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

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

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

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

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

Setting-up of the stock option plans and Company incentive plans and subsequent changes

With regard to stock option plans and company incentive plans involving a total of 17,162,652 shares reserved for the employees, collaborators, consultants and directors of the Company and its subsidiaries, the following options were approved at September 30, 2011:

- 21,463 options, corresponding to 1,116,076 shares, by the Extraordinary Shareholders' Meeting of March 22, 2000, as subsequently amended by the Extraordinary Shareholders' Meetings of October 25, 2000, February 26, 2002 and May 7, 2003 (2001-2003 plan);
- 28,537 options, corresponding to 1,483,924 shares, by the Extraordinary Shareholders' Meeting of July 31, 2000, as subsequently amended by the Extraordinary Shareholders' Meetings of October 25, 2000, February 26, 2002 and May 7, 2003 (2001-2003 plan);
- 33,760 options, corresponding to 1,755,520 shares, by the Extraordinary Shareholders' Meeting of July 18, 2002, as subsequently amended by the Extraordinary Shareholders' Meeting of December 2, 2005 (2003-2005 plan);
- 19,669 options, corresponding to 1,022,788 shares, by the Extraordinary Shareholders' Meeting of December 10, 2003, as subsequently amended by the Extraordinary Shareholders' Meeting of December 2, 2005 (2004-2006 plan);
- 31,303 options, corresponding to 1,627,756 shares, by the Extraordinary Shareholders' Meeting of December 2, 2005, as subsequently amended by the Extraordinary Shareholders' Meeting of July 12, 2007 (2006-2008 plan);
- 104,319 options, corresponding to 5,424,588 shares, by the Extraordinary Shareholders' Meeting of May 16, 2007 (2007-2012 plan)[24];
- 4,732,000 shares, of which up to 85,000 options (2009-2014 plan), by the Extraordinary Shareholders' Meeting of September 8, 2009, are valid for subscription for 4,420,000 shares and up to 312,000 shares may be granted (2009-2014 incentive plan).

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

At December 31, 2011, financial liabilities amounted to Euro 14,049 thousand and mainly comprised the partial use of the medium/long-term credit line agreed with the Banca Nazionale del Lavoro for the financing of the investment in the techno-logistics platform to the tune of Euro 12,355 thousand. The remaining financial liabilities refer to finance leases with BNP Paribas Lease Group totalling Euro 1,463 thousand (of which Euro 696 thousand is current) to finance investments in technology, and the residual subsidised loan provided by Simest (Società Italiana per le Imprese all'Estero) of Euro 231 thousand (of which Euro 154 is current).

Description	*Dec. 31, 2011*	*Dec. 31, 2010*	*Change*
Medium-long term financial liabilities	11,522	846	10,676
Bank loans and other current financial liabilities	2,527	5,600	(3,073)
Total	**14,049**	**6,446**	**7,603**

On March 10, 2011, a loan was agreed with the Banca Nazionale del Lavoro (the "Bank") for Euro 15,000 thousand, designated to support investments planned for the period 2010–2012 by YOOX S.p.A. and specifically involving the creation of an automated warehouse in the area of the Logistics Centre in Bologna.

YOOX S.p.A. is obliged to pay the "Bank" interest on the loan, calculated according to the effective number of days, quarterly in arrears, with 365 as the divider, at the nominal annual rate equal to the interbank rate for the three-month Euribor. The above rate will be increased with an annual 1.20 point spread in favour of the "Bank". Starting from the recognition in the consolidated financial statements at December 31, 2010, the spread can change automatically, on the basis of the accounting figures in the financial statements of YOOX S.p.A. and in the interim report, determined starting from the financial statements at December 31, 2010, in relation to the

[24] The Board of Directors took partial advantage of the powers conferred pursuant to Article 2443 of the Italian Civil Code and increased the share capital to service the stock option plan by means of the issue of up to 5,176,600 new ordinary shares, which correspond to 99,550 options.

performance of the ratio between the Net Financial Position and EBITDA, excluding incentive plans (debt cover ratio) as calculated and notified by YOOX S.p.A. to the "Bank" and verified, under the terms indicated below:

Parameter	Spread
c) more than or equal to 2:	1.40% per year
d) less than 2:	1.20% per year

If at the planned detection dates, the Net Financial Position were "positive" together with the detection of an EBITDA excluding incentive plans of more than zero, the spread applied would be 1.00% per year.
The modification of the spread, under the above terms, will run from the first period of interest immediately following each of the detections.
The above-mentioned financial parameters will be recorded half-yearly. Specifically, they should be calculated at the end of December each year, with reference to the data from the consolidated financial statements of YOOX S.p.A. and at June 30 each year, on the basis of the directors' reports, containing all the accounting data of YOOX S.p.A. for each half-year in relation to the statement of financial position, income statement and statement of cash flows, without prejudice to the EBITDA, excluding the incentive plans, calculated on a rolling basis, in other words from June 30 of the previous year to June 30 of the year in question.
The above-mentioned financial parameters have been detected and notified to the "Bank" for the first time based on the financial statements at December 31, 2010. For this purpose YOOX S.p.A. was obliged to send the "Bank" the Group's consolidated financial statements within 10 workings days following their approval by the YOOX Board of Directors.

YOOX S.p.A. has also paid the Bank, at the same time that the contract was agreed, a one-off licence fee payment of 0.7% of the amount of the loan including preliminary investigation costs. This amount is considered exhaustive and therefore no other fee can be requested by way of licence fee or preliminary investigation rights with reference to the granting of this loan.

The loan will last for 60 months and should be used within 15 months of the date the loan agreement is signed and will be regulated according to the terms and conditions set out in Article 1 of the specification.
The loan should be repaid in quarterly instalments in arrears, expiring on March 10/June 10/September 10 and December 10 every year. The start of the repayment of the loan is fixed for June 10, 2012 and therefore the first instalment will be due on September 10, 2012 and the last on March 10, 2016.
With regard to the above, YOOX S.p.A. is obliged to pay the "Bank" 15 quarterly instalments, made up of the principal, as well as the interest calculated at the rate determined.
The interest relating to the period of use will also be paid quarterly in arrears at the aforesaid deadlines.

Financial covenants

The Company, also for the purposes of Article 1461 of the Italian Civil Code, recognises the essential nature of complying with the following financial covenants, with respect to the consolidated financial statements in the name of YOOX S.p.A., accepting that the "Bank" can terminate the contract if the financial situation shown in the consolidated financial statements does not comply with the following covenants, or even with only one of them, at the dates listed below:

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

YOOX S.p.A. will notify the "Bank" of the above financial covenants annually and, starting from the first half of 2011, half-yearly as well. Specifically, they should be calculated at the end of December each year, with reference to the data from the consolidated financial statements of YOOX S.p.A. and, starting from the first half of 2011, at June 30 each year, on the basis of the directors' reports, containing all the accounting data of YOOX S.p.A. for each half-year in relation to the statement of financial position, income statement and statement of cash flows, without prejudice to the EBITDA, excluding the incentive plans, calculated on a rolling basis, in other words from June 30 of this year to June 30 of the year in question.
The above financial covenants have been recorded for the first time according to the financial statements at December 31, 2010. For this purpose YOOX S.p.A. is obliged to give the "Bank" the YOOX annual consolidated financial statements within 10 working days following their approval by the Shareholders and the YOOX consolidated quarterly financial statements within 10 days following their approval by the Board of Directors.

If even only one of the above covenants is not complied with, YOOX S.p.A. without prejudice to the right of the "Bank" to terminate the contract, is committed to agree the financial and management operations, with the actual "Bank" within 30 working days of the actual request, to ensure that the covenants in question come under the set terms, or, alternatively, to repay the loan in advance at the due date of the relevant period of interest.

In relation to the above-mentioned loan agreed with Banca Nazionale del Lavoro, at December 31, 2011, as at December 31, 2010, the above-mentioned financial covenants were complied with by the Group.

The syndicated bank loan (lead bank: UniCredit Corporate Banking S.p.A.) was fully repaid on December 15, 2009. This credit facility remains unused at December 31, 2011.

The terms of the above loan were renegotiated via an agreement modifying the stand-by revolving syndicated loan contract on February 17, 2010, applicable from December 15, 2009.

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

The variations resulting from the stand-by revolving syndicated loan agreement of June 16, 2008 are described below. The agreement is dated February 17, 2010 and is effective from December 15, 2009:

a) In accordance with Article 6-*ter* of the Agreement (definitive waiver of use and/or reuse), at the due date of December 15, 2009 fixed in the reduction/repayment plan, the Company hereby declares that it waives, with no penalty, its right to the use of Euro 5,250,000 of the loaned sum, thereby effectively definitively cancelling out this amount from the facility. However, it is understood that, in a partial amendment to Article 2.B (Terms and conditions) of the Agreement, as of December 15, 2009 (i) the credit line available to the Company will amount to Euro 13,125,000 in total, and (ii) the amount of each drawdown will be no less than Euro 375,000, or multiples thereof.

b) In view of point (a) above, and of Article 9 (Amendments to the reduction plan), the banks and the Company hereby declare and recognise by mutual agreement that, as of December 15, 2009, the repayment/reduction plan described under Article 3 (Modalities and conditions of repayment) of the Agreement is amended as follows:

Repayment plan

Date	***Amount***	***Residual liability***
December 15, 2009		13,125,000
June 15, 2010	1,875,000	11,250,000
December 15, 2010	1,875,000	9,375,000
June 15, 2011	1,875,000	7,500,000
December 15, 2011	1,875,000	5,625,000
June 15, 2012	1,875,000	3,750,000
December 15, 2012	1,875,000	1,875,000
June 15, 2013	1,875,000	-

c) In the light of the points (a) and (b) above, the parties hereby recognise and state that Article 3-*bis* (Obligatory early repayment) of the Agreement will no longer apply and shall be deemed to be annulled as of December 15, 2009. Any reference made in the Agreement or its appendices to the aforementioned Article 3-*bis* or its content shall therefore be considered inapplicable;

d) As a partial amendment to Article 14 (Covenants) of the Agreement, the banks and the Company recognise and agree that, as of December 31, 2009, the official consolidated financial statements of the Company, periodically approved, will be drawn up in accordance with International Financial Reporting Standards (IFRS). It is also understood that the indicators below, which are contained in the aforementioned Article 14 of the Agreement, will have the following new definitions:

   1) NFD or NFP (Net Financial Debt or Net Financial Position): is the sum of cash and cash equivalents, other current financial assets, net of bank loans and borrowings and other financial payables due within one year, other current financial liabilities and non-current financial liabilities. Net financial debt is not recognised as an accounting item under Italian GAAP or the IFRS endorsed by the European Union.

2) EBITDA or Gross Operating Profit/(loss): is profit before depreciation and amortisation, non-recurring expenses, financial income and expenses and income taxes. EBITDA is not recognised as an accounting item under Italian GAAP or the IFRS endorsed by the European Union.

In the event that the Net Financial Position and EBITDA, as defined above, are both positive, the company is considered to be in compliance with the covenants described in a), b) and c) of Article 14 of the Agreement by simply notifying the lead bank – within the 30-day period after the approval date of each of the financial statements – of the levels of the above indicators, without the Compliance Certificate described in the aforementioned Article 14.

At December 31, 2011 and 2010, the above conditions (positive Net Financial Position and positive EBITDA) have been met and the Group is therefore automatically deemed to have respected the covenants.

e) The banks and the company hereby agree to eliminate from Article 13 (Obligations) of the Agreement provisions i) and m/3) and to replace them with the following provisions:

f) the company undertakes to inform the lead bank in writing when it takes out a loan even if equal to or less than Euro 5,000,000.00 (principal) no later than five bank working days from the date the loan was agreed; the company will have the right to take out loans amounting to more than Euro 5,000,000.00 only with the written consent of the banking syndicate, granted via the lead bank, no later than five bank working days from receipt of the request for approval on the part of the company.

Net financial position

The table below gives a breakdown of net financial position at December 31, 2011:

Description	***Dec. 31, 2011***	***Dec. 31, 2010***	***Change***
Cash and cash equivalents	13,002	16,595	(3,593)
Current financial assets	2,269	5,082	(2,813)
Other current financial assets	-	29	(29)
Bank loans and other liabilities	(2,527)	(5,600)	3,074
Other current financial liabilities	(1,218)	(26)	(1,192)
Net short-term financial position	**11,525**	**16,079**	**(4,554)**
Medium-long term financial liabilities	(11,522)	(846)	(10,677)
Net financial position[(1)]	**3**	**15,233**	**(15,230)**

(1) Net financial debt (or net financial position) is the sum of cash and cash equivalents, other current financial assets, net of bank loans and borrowings and other financial payables falling due within one year, other current financial liabilities and medium-long term financial liabilities. Net 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 debt (or net financial position) of the CESR. The Group believes this definition should be integrated including claims vs. acquirer and logistics operators from whom cash on delivery is required under "other current financial assets".

During 2011, the Company's net financial position worsened by Euro 15,230 thousand, going from Euro 15,233 thousand at December 31, 2010 to Euro 3 thousand at December 31, 2011.

6.23 Employee benefits

This item refers exclusively to the Italian post-employment benefits recognised by the Parent in accordance with current legislation. Changes in defined benefit plans for employees in 2011 are summarised below:

Description	***Dec. 31, 2010***	***Provisions***	***Utilisation***	***Dec. 31, 2011***
Employee benefits	213	10	(10)	213

The main technical, demographic and economic parameters used in the actuarial calculation of the liability for employee benefits at December 31, 2011 are summarised below:

Actuarial assumptions used for the calculations	
Annual probability of death in service	SIM and SIF demographic tables for 2002
Annual probability of death other than by death in service	5%
Discount rate (Euro swap)	Government rates curve at Dec. 31, 2011
Maximum % of accrued post-employment benefits requested in advance	70%
Probability of requests for advances	3.3%
Annual increase in the cost of living	3% per annum

6.24 Deferred tax liabilities

The following table shows the breakdown of, and changes in, deferred tax liabilities at December 31, 2011:

Description	*Dec. 31, 2010*	*Increases*	*Utilisation*	*Dec. 31, 2011*
Deferred tax liabilities	69	126	(112)	83
Total	**69**	**126**	**(112)**	**83**

Description of taxable item	*Dec. 31, 2011*	*2011 tax rate*	*Tax recorded in 2011*
Unrealised exchange rate gains 2011	458	27.5%	126
Total	**458**		**126**

6.25 Provisions for current and non-current risks and charges

This item reflects provisions for estimated current liabilities at December 31, 2011, the timing and extent of which cannot be determined. The following table shows the breakdown of the item and changes in 2011:

Description	*Dec. 31, 2010*	*Increases*	*Adjustments*	*Utilisation*	*Dec. 31, 2011*
Provision for theft and loss	59	29	-	(59)	29
Provision for fraud	308	55	-	(308)	55
Other provisions for risks and charges	**167**	**-**	**-**	**(167)**	**-**
Total provisions for current risks and charges	**534**	**84**	**-**	**(534)**	**84**
Other provisions for risks and charges	112	-	-	(112)	-
Total provisions for non-current risks and charges	**112**	**-**	**-**	**(112)**	**-**
Total provisions for risks and charges	**646**	**84**	**-**	**(646)**	**84**

During the year, Euro 59 thousand from the provision for theft and loss was used, and it was therefore deemed appropriate to proceed with a further accrual of Euro 29 thousand, following a new estimate.

During the year, Euro 308 thousand was utilised from the provision for fraud, and it was therefore deemed appropriate to proceed with a further accrual of Euro 55 thousand, to cover against fraud committed via online sales paid for by credit card. This fraud coverage provision was calculated taking into account the historical incidence of the value of fraud in relation to the value of sales.

6.26 Trade payables

The following table shows a breakdown of trade payables at December 31, 2011:

Description	Dec. 31, 2011	Dec. 31, 2010	Change
Due to suppliers	41,770	32,484	9,286
Credit notes to be received from suppliers	(2,666)	(526)	(2,140)
Invoices to be received from suppliers	14,234	10,960	3,274
Due to credit card operators	18	46	(28)
Total	**53,356**	**42,964**	**10,392**

Trade payables increased by 24.2%, from Euro 42,964 thousand at December 31, 2010 to Euro 53,356 thousand at December 31, 2011.

Trade payables are all payables relating to purchases of goods and services from the Company's suppliers. Payables are recognised at their par value. Since all payables fall due within one year, none are subject to discounting. "Due to suppliers" 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.

6.27 Tax liabilities

Current tax liabilities make up the current income tax liability of YOOX S.p.A., net of payments on account.

Description	Dec. 31, 2011	Dec. 31, 2010	Change
Current income taxes	391	341	50
Total	**391**	**341**	**50**

Tax liabilities rose during 2011 by Euro 50 thousand, from Euro 341 thousand at December 31, 2010 to Euro 391 thousand at December 31, 2011.

6.28 Other liabilities

The following table shows a breakdown of liabilities at December 31, 2011:

Description	Dec. 31, 2011	Dec. 31, 2010	Change
Due to social security institutions	1,470	1,433	37
Credit notes to be issued to customers	4,406	3,890	516
Due to directors	29	545	(516)
Due to employees	1,242	1,717	(475)
Due to fiscal representatives	4,220	3,297	923
Other liabilities	2,632	2,322	310
Financial payables to YServices	1,932	-	1,932
Accrued expenses and deferred income	1,293	39	1,254
Total	**17,224**	**13,243**	**3,981**

"Due to social security institutions" reflects contributions payable to social security institutions, mainly on the amounts recognised to employees at year end.

"Due to tax representatives" reflects indirect tax liabilities. Sales carried out in European countries during 2011 and 2010 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 positions in these countries.

"Other liabilities" include credit notes to be issued to customers since these represent a known liability for sales returns made during 2011. This item increased in 2011 in line with the increase in sales volumes compared with the previous year.

Statement of cash flows

6.29 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 items are provided in Notes 6.3, 6.4, 6.5, 6.10 and 6.11, respectively.

In relation to the income tax in 2011 of Euro 4,925 thousand (Euro 3,880 thousand in 2010), tax payments amounting to Euro 4,342 thousand were made (Euro 6,956 thousand in 2010) relating to tax outstanding for the previous year and payments on account, calculated in accordance with the respective tax regulations in force in Italy.

6.30 Other net non-monetary income/(expenses)

Other net non-monetary income/(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 (Italian TFR), the measurement at fair value of stock option plans, provisions for risks and charges, capital gains and capital losses, unrealised exchange rate fluctuations and recognised interest income and expense. In relation to these latter, interest received and interest paid are presented separately.

6.31 Change in trade receivables, inventories and trade payables

This item reflects the use or generation of cash relative to net working capital, i.e. changes in trade receivables, inventories and trade payables. Changes in trade payables refer exclusively to supplies of raw materials, goods and services, excluding the change in payables to suppliers of investments, which are reported in the section of the statement of cash flows generated by or used in investing activities.

6.32 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.

6.33 Acquisition of 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 recognised also includes the change in investment payables.

6.34 Acquisition of intangible assets

Cash flow for acquisition of other intangible assets relates to investments in licences and software and the capitalisation of development costs (for a breakdown of these, see Note 6.13). Capitalisations are classified among Cash flow from/(used in) investing activities since they involve a cash outflow associated with the internal costs incurred (mainly personnel expenses). These outflows were broadly in line with costs capitalised during the year.

6.35 Acquisition of investments in subsidiaries

The cash flow used in investing activities includes both the share capital injection of Euro 91 thousand in the newco YOOX Asia with registered offices in Hong Kong, as a result of its establishment in the second quarter of

2011, and to the increase in share capital of Mishang Trading (Shanghai) Co. Ltd. with offices in Shanghai equal to Euro 1,000 thousand.

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

Other non-current financial assets at December 31, 2011 stood at a total of Euro 74 thousand (Euro 67 thousand at December 31, 2010).

Guarantee deposits at December 31, 2011 relate to leases and contracts for the supply of electricity and gas. Other non-current financial assets are due over more than five years.

6.37 Increase in share capital and share premium reserve

For information on total receipts for increases in share capital and the share premium reserve, see section 6.21 “Equity”.

6.38 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 6.23.

6.39 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 6.23.

7. Disclosure of financial risks

The measurement and management of financial risk exposure at YOOX S.p.A. are in line with the Group’s policies.

The main risk categories to which the Company is exposed are detailed below.

Credit risk

The maximum theoretical exposure to credit risk of YOOX S.p.A. at December 31, 2011 is represented by the carrying amount of the financial assets recognised in the financial statements, as well as by the nominal value of the guarantees issued as set out in Note 10.

The existing receivables at year end are chiefly due from customers, Group companies, other commercial counterparties and tax authorities.

There are no significant overdue balances.

Liquidity risk

Liquidity risk can arise from an inability to procure the financial resources necessary to maintain operations at reasonable conditions.

YOOX S.p.A. manages treasury operations for the Group, therefore the liquidity risks to which the Company is exposed are closely correlated to those that affect the Group as a whole.

The two main factors that determine the liquidity situation of the Parent are firstly the resources generated from or used in operating and investing activities, and secondly the maturity and renewal conditions of debt or the liquidity of financial commitments and market conditions.

The Parent has adopted a series of policies and processes to optimise the management of financial resources in order to reduce liquidity risk:

- centralised management of payment and payment collection flows, where this is economically expedient and complies with the various civil law, monetary and tax regulations of the countries in which the Parent is present;
- maintenance of a suitable level of cash on hand;
- diversified use of tools to procure financial resources and a continuous and active presence on capital markets;
- attainment of sufficient credit lines;
- monitoring of future liquidity conditions with reference to the company planning process.

The management considers the funds currently available, in addition to the funds that will be generated from operating and financing activities, sufficient to allow the Parent to meet its requirements arising from investment activities, the management of working capital and the repayment of debts upon maturity.

Currency risk

At December 31, 2011, YOOX S.p.A. has significant credit positions that are exposed to currency risk, mainly in relation to trade receivables from subsidiaries, which are hedged by derivative financial instruments.
The currency risk has been measured using a sensitivity analysis and the potential effects of exchange rate fluctuations on the financial statements at December 31, 2011 have been analysed, particularly in relation to:

– foreign currency receivables and payables;

– financial assets held to hedge currency risk (whether subject to hedge accounting rules or not);

– cash.

The following tables provide a summary of:

a) currency risk exposure at December 31, 2011

Thousand Euro	December 31, 2011					
	USD	**JPY**	**GBP**	**CNY**	**HKD**	**OTHER**
Receivables	10,747	1,806	740	1,396	474	-
Payables	(1,628)	(13)	(1,628)	-	-	278
Cash	3	2	149	52	-	-
Gross exposure in the statement of financial position	**9,122**	**1,795**	**(739)**	**1,448**	**474**	**278**
Hedging contracts	(12,495)	(2,892)	-	-	-	-
Net exposure	**(3,373)**	**(1,097)**	**(739)**	**1,448**	**474**	**278**

b) the sensitivity analysis at December 31, 2011, assuming a variation in currencies over the course of the year equal to +10% and -10% and a variation of +5% and -5% compared to the European Central Bank exchange rate is as follows:

1st currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	(977)	1,194	(512)	566
Payables	148	(181)	78	(86)
Cash	(0)	0	(0)	0
USD	(829)	1,014	(434)	480

2nd currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	(164)	201	(86)	95
Payables	1	(1)	1	(1)
Cash	(0)	0	(0)	0
JPY	(163)	199	(85)	94

3rd currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	(67)	82	(35)	39
Payables	148	(181)	78	(86)
Cash	(14)	17	(7)	8
GBP	67	(82)	35	(39)

4th currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	(127)	155	(66)	73
Payables	-	-	-	-
Cash	(5)	6	(2)	3
CNY	(132)	161	(69)	76

5th currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	-43	53	-23	25
Payables	-	-	-	-
Cash	-	-	-	-
HKD	**-43**	**53**	**-23**	**25**

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

Appreciation of the Euro by 10%

Thousand Euro December 31, 2011	Equity	Profit or loss
USD	-	(829)
JPY	-	(163)
GBP	-	67
CNY	-	-
Hedging contracts	-	-
USD	551	-
JPY	124	-
Total	**675**	**(925)**

Depreciation of the Euro by 10%

Thousand Euro December 31, 2011	Equity	Profit or loss
USD	-	1,014
JPY	-	199
GBP	-	(82)
CNY	-	-
Hedging contracts	-	-
USD	(2,104)	-
JPY	(374)	-
Total	**(2,478)**	**1,131**

The financial instruments in place at December 31, 2011 are forward contracts stated at fair value in the reserve assets, as set out in IAS 39.

There are no significant payables exposed to currency risk.

Interest rate risk

The interest rate risk arises when a change in interest rates adversely affects performance for the year.
In line with company policy, all the loans and credit lines available to the YOOX Group relate to the Parent.
For more details, refer to the analysis in Section 10 “Financial Risks” of the consolidated financial statements at December 31, 2011.

8. Hierarchical levels of fair value measurement

IFRS 7 requires that the carrying amounts of financial instruments recognised in the statement of financial position at fair value are classified according to a hierarchy of levels reflecting the input used in the fair value calculation. The levels are:

- Level 1 – assets or liabilities measured using quoted prices in active markets;
- Level 2 – inputs different from quoted prices as above, which are based on directly observable (prices) or indirectly observable (price-derived) market data;
- Level 3 – inputs not based on observable market data.

Financial instruments measured at fair value at December 31, 2011 are calculated using the methods in Level 2. There were no level transfers in 2011.

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

Transactions with related parties, as defined under IAS 24, at December 31, 2011 and at December 31, 2010 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 under common control with the Entity, or
   (iv) have an interest that gives them significant influence over the Entity, or
   (v) have joint control over the Entity.

b) entities that are associates as defined in IAS 28 – *Investments in Associates*;

c) joint ventures in which the Entity is a venturer;

d) key management personnel of the Entity or its parent, including the directors and statutory auditors of the Entity;

e) the close family members of any individual referred to in points a) to d) above;

f) entities controlled or jointly controlled by any individual referred to in points d) or e) above, or that are under the significant influence of these individuals, i.e. entities in which the individual referred to in d) and e) holds, either directly or indirectly, significant voting power;

g) pension funds for employees of the Entity or any other entity related to it.

9.1 Transactions with subsidiaries

The main relationships between YOOX S.p.A. and its subsidiaries are chiefly commercial in nature and can be summarised as follows:

1. YOOX S.p.A. supplies its subsidiaries with products for sale on the US and Japanese Online Stores;
2. YOOX S.p.A. provides its subsidiaries with website maintenance, support services and updates;
3. YOOX S.p.A. provides its subsidiaries with administrative, financial and legal services;
4. YOOX S.p.A. provides its subsidiaries with customer service support (via a customer care service located at the Italian head office that interfaces with Japanese and US customers using dedicated staff);
5. YOOX S.p.A. provides its subsidiaries with advice and support in the areas of fashion, marketing, advertising and professional training.

None of the relationships between the Group companies or between the Group companies and related parties are considered to be atypical or unusual, and form part of the Group's ordinary business operations. The transactions were carried out under normal market (i.e. arm's-length) conditions.

The following tables show the relationships in terms of receivables and payables between the Company and the other Group companies at December 31, 2011 and at December 31, 2010. Receivables from and payables to subsidiaries are expressed in USD, JPY, CNY and HDK and translated to Euro at the exchange rate in effect at year end. Revenue and costs are expressed in USD, JPY, CNY and HDK and translated to Euro at the average exchange rate for the year in question.

December 31, 2011

	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenue	Costs
YOOX Corporation	8,194	1,932	24	-	29,112	24
Y Services Ltd.	621		0	1,932	1,509	-
YOOX Japan	1,806			-	12,191	-
YOOX Mishang Trading (Shanghai)	538	858	-	-	506	-
YOOX Asia Ltd.	474		-	-	1,418	-
Total subsidiaries	**11,633**	**2,790**	**24**	**1,932**	**44,736**	**24**

December 31, 2010

	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenue	Costs
YOOX Corporation	6,386		-		21,281	-
Y Services Ltd.	352		-		1,243	-
YOOX Japan	1,560		-		8,793	-
YOOX Mishang Trading (Shanghai)	-		-		-	-
Total subsidiaries	**8,298**		**-**		**31,317**	**-**

9.2 Transactions with other related parties

The following tables list the main financial and commercial relationships between the Company and related parties other than Group companies, at December 31, 2011 and December 31, 2010, excluding intra-Group relationships, which are described above. Commercial transactions with these entities are carried out under normal market conditions, and all transactions are carried out in the interest of the Company.

December 31, 2011

Description	*Trade receivables*	*Trade payables*	*Revenue*	*Costs*
Studio legale associato d'Urso Gatti e Bianchi	-	18	-	419
Hari K. Samaroo, P.C.	-	1	-	1
Bizmatica Sistemi S.p.A.	-	-	-	49
Total other related parties	**-**	**19**	**-**	**469**

December 31, 2010

Description	*Trade receivables*	*Trade payables*	*Revenue*	*Costs*
Sigma Gi S.p.A.	-	359	9	3,360
Diesel S.p.A.	1,305	2,532	1,314	6,137
Diesel Rags S.r.l.	-	645	-	2,262
55DSL S.r.l. – Unipersonale	-	-	-	19
Staff International S.p.A.	-	121	-	1,150
Studio legale d'Urso Gatti e Associati	-	105	-	334
Total other related parties	**1,305**	**3,762**	**1,323**	**13,262**

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

- Studio legale D'Urso Gatti e Associati, since a partner of that law firm is a director of the Parent;
- Hari K. Samaroo P.C., since the partner of that law firm is the legal representative/chairman of Y Services;
- Bizmatica Sistemi S.p.A. since the chairman of that company is the son of a member of the Board of Directors of YOOX S.p.A.

None of the transactions that took place with related parties in 2011 and 2010 were significant (except as mentioned above), atypical and/or unusual.

9.3 Remuneration of senior managers and other key management personnel of the Company

In addition to the executive and non-executive directors, the senior managers and other key management personnel for the management, planning and control of the Group comprise the Chief Financial Officer, the General Manager, the Chief Marketing Officer, the Director of Operations, the User Experience Director, the yoox.com Commercial Director and the Head of Customer Operations.

The gross annual remuneration of the above persons, inclusive of all forms of remuneration (including gross pay, bonuses, fringe benefits, etc.) as well as bonuses accrued but not paid out that are subject to the achievement of long-term objectives are reported in the following table together with the fees of the members of the Board of Statutory Auditors:

December 31, 2011

Description	**Current benefits**	**Long-term benefits**	***Stock option plans and incentive plans***
Directors	658	-	1,354
Statutory Auditors	74	-	-
Key management personnel	1,334	83	953
Total	**2,066**	**83**	**2,307**

* The stock options for Directors also include the stock options granted to the Chief Executive Officer of YOOX Japan.

December 31, 2010

Description	**Current benefits**	**Long-term benefits**	***Stock option plans and incentive plans***
Directors	1,002	-	1,504
Statutory Auditors	73	-	-
Key management personnel	1,481	82	1,127
Total	**2,556**	**82**	**2,631**

* The stock options for Directors also include the stock options granted to the Chief Executive Officer of YOOX Japan.

Finally, no close family members of any of the natural persons indicated above are related parties of the Company, as defined in IAS 24.

10. Other information

Commitments and guarantees

Description	***Dec. 31, 2011***	***Dec. 31, 2010***
Third-party assets held by the Group	63,743	49,133
Sureties given to others	2,660	3,294
Commitments under hedging derivative contracts (nominal value)	**27,686**	**2,496**

The warehouses of the Company hold goods worth Euro 63,743 thousand received on a sale-or-return basis from YOOX's partners. The increase by comparison with the previous year reflects the opening of new Online Stores in 2011, as well as an expansion of procurement on a sale-or-return basis during 2011 in the Multi-brand business segment.

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

- The contract agreed by the Parent, with effect from November 2, 2010, for a period of six years, for the lease of office premises in Via Morimondo 17, Milan. The surety amounts to Euro 120,000 and will expire on January 31, 2017;
- The contract agreed with Diesel to guarantee payments by the subsidiary Y Services amounting to USD 635,000 (Euro 490,764) with effect from January 13, 2011 and expiring on December 31, 2011;
- The contract agreed by the Company with Despina S.p.A. to guarantee compliance with obligations under a lease contract with effect from April 2007, for a period of six years, relating to office premises at Via Nannetti 1 in Zola Predosa. The amount of the surety is Euro 47,500, expiring on March 31, 2013;

- The contract agreed with Simest to guarantee the loan amounting to Euro 53,219 with effect from September 28, 2006 and expiring on March 16, 2014;

- The contract agreed with Simest to guarantee the loan amounting to Euro 236,156 with effect from January 17, 2008 and expiring on March 16, 2014;

- The contract agreed by the Company with New Winds Group to guarantee compliance with obligations under a lease for office premises in Madrid, with effect from August 2008. The surety amounts to Euro 19,442 and expires on September 30, 2012;

- The contract agreed by the Company with MM. Kerr and MM. Naret to guarantee compliance with obligations under a lease for office premises in Paris, with effect from August 1, 2008. The surety amounts to Euro 52,000 and expires on July 31, 2014;

- The contract agreed by the Company with Oslavia, with effect from July 1, 2008 for a period of six years, for the lease of office premises in Via Lombardini, Milan. The surety amounts to Euro 19,200 and expires on July 31, 2014;

- The contract agreed by the Company to guarantee VAT compliance in Portugal, for Euro 5,000, issued to the Portuguese tax representative and expired on December 31, 2011;

- The contract agreed by the Company following the repayment of the Global Collect guarantee deposit of Euro 800,000, after BNP Paribas issued a bank surety for the same amount, expiring on April 30, 2011;

- The surety issued to Koji Ono, Director of YOOX Japan, for obligations assumed by the subsidiary YOOX Japan, amounting to JPY 30,000,000 (Euro 299,401) expiring on March 3, 2012;

- The contract agreed with Logistica Bentivoglio S.r.l. with effect from December 28, 2010 and expiring on March 15, 2013 to guarantee compliance with obligations under the lease for the warehouse at the logistics centre in Bentivoglio Blocco 9.5 for Euro 512,775;

- The surety agreed for Arangino Giovanni to guarantee the costs of restoring the external wall of the building in Via Lombardini, Milan, for a sum of Euro 4,000, with effect from August 19, 2010 and expiring on July 31, 2014;

- The contract agreed by the Company with Despina S.p.A. to guarantee compliance with obligations under a lease with effect from April 14, 2010, for a period of six years, relating to office premises at Via Nannetti 1 in Zola Predosa. The amount of the surety is Euro 58,500 expiring on February 1, 2012.

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 15,386 thousand;
- Interest rate swaps signed by the Parent to hedge the interest rate risk related to the medium/long-term loan agreed for financing the new techno-logistics platform. The nominal amount of commitments at the reporting date is Euro 12,300 thousand.

11. Events after the reporting year

Allocation of shares following the exercise of stock options
On January 26 and February 7, 2012 YOOX S.p.A. ordinary shares were granted following the exercise of the options relating to the stock option plans and at the strike prices described in the table below:

Stock option Plans	Grant date	Strike price (in Euro)			Total Stock options	Total post-split shares
		46.48	59.17	106.5		
2001-2003	January 26, 2012	1,155			1,155	60,060
2003-2005	January 26, 2012	10,457			10,457	543,764
2004-2006	January 26, 2012	3,544			3,544	184,288
2006-2008	January 26, 2012		4,842		4,842	251,784
2007-2012	January 26, 2012		6,539		6,539	340,028
Sub-total		*15,156*	*11,381*	-	*26,537*	*1,379,924*
2001-2003	February 7, 2012	298		750	1,048	54,496
2003-2005	February 7, 2012	3,355			3,355	174,460
2004-2006	February 7, 2012	4,912			4,912	255,424
2007-2012	February 7, 2012		2,000	1,100	3,100	161,200
Sub-total		*8,565*	*2,000*	*1,850*	*12,415*	*645,580*
Total		**23,721**	**13,381**	**1,850**	**38,952**	**2,025,504**

Given the above, the new share capital issued by YOOX S.p.A. at the time of writing is Euro 550,996.16, divided into 55,099,616 ordinary shares with no indication of par value.

Stock option granting relating to the YOOX S.p.A. 2009-2014 stock option plan
On February 8, 2012, the Company's Board of Directors resolved to grant 4,490 options valid for the subscription of 233,480 YOOX ordinary shares in favour of three beneficiaries on a biannual basis.

Launch of the barbarabui.com Online Store
On February 16, 2012 the barbarabui.com Online Store was launched in Europe, the US and Japan.

Extension of dsquared2.com to China
On March 5, 2012 the dsquared2.com Online Store was extended to China.

Appointment of Giuseppe Guillot as YOOX Group COO
In future years, YOOX Group will continue to invest in the consolidation and innovation of its multi-channel technological and global logistics infrastructure in order to guarantee a solid platform that is at the forefront, capable of adapting quickly to changing market scenarios and offering its business partners and end users an excellent service.
In this context, YOOX is delighted to announce the appointment of a Chief Operating Officer ("COO") with responsibility for optimising and coordinating all operational and design activities, in a logistics and technological framework, and maximising the synergies that come from the joint management of both activities. This appointment pursues the ultimate aim of preserving and reinforcing one of the most important competitive advantages of the Group: the quality of the service offered. Giuseppe Guillot was therefore promoted to YOOX Group COO in the first quarter of 2012. A part of the YOOX Group since 2007, Guillot has held various roles both in the Operations department and in Technology; prior to this appointment he was Technology Director.

Launch of shoescribe.com
In line with the Group's strategy of extending the in-season offer, YOOX Group is launching shoescribe.com, a new Multi-brand Online Store entirely dedicated to women's footwear. From today, Wednesday March 7, shoescribe.com sits alongside yoox.com and thecorner.com in the Multi-brand business segment.
The long-term experience of the Group in fashion e-commerce has made the shoes undisputed best sellers on a global level, and therefore the Group has decided to dedicate an online space exclusively to footwear.
shoescribe.com offers an original 360 degree shopping experience in the world of footwear, from the editorial component right through to the care of shoes after purchase. The concept of the store is actually based on the combination of three key elements: e-commerce, exclusive services dedicated to shoes and editorial content.
The range consists of an original and very carefully chosen selection for the launch of over 100 brands, from big names to recherché brands including Acne, Alexander Wang, Bally, Giambattista Valli, Marni, Marc Jacobs, Opening Ceremony, Proenza Schouler and Sergio Rossi, to which new ones will constantly be added.

shoescribe.com can benefit from the solid global platform of the Group to guarantee its customers an excellent and unique service in the industry. For shoe lovers, shoescribe.com has purposely designed several high-value services, such as a shoe organizer for the wardrobe, available with every purchase, and a network of trusted shoemakers for your repairs. Moreover, by taking out an annual subscription “shoescribers” can access highly exclusive services such as free repairs on shoes purchased and free shipping all year round.

Annex 1

Separate income statement for the year ended December 31, 2011, prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

	2011			2010		
Income statement	**Balances**	**of which with related parties**	**% Weighting**	**Balances**	**of which with related parties**	**% Weighting**
Thousand Euro:						
Net revenue	249,201			183,377	1,323	0.7%
Cost of goods sold	(167,935)			(123,055)	(12,820)	10.4%
Fulfilment costs	(26,593)	(547)	2.1%	(18,764)	(519)	2.8%
Sales and marketing costs	(19,179)	(1,198)	6.2%	(15,831)	(1,303)	8.2%
General expenses	(21,928)	(3,180)	14.5%	(15,322)	(3,814)	24.9%
Other income and expenses	(185)			(382)		
Non-recurring expenses						
Operating profit	**13,381**			**10,022**		
Financial income	622			866		
Financial expenses	(1,018)			(949)	(75)	7.9%
Profit before tax	**12,984**			**9,939**		
Taxes	(4,925)			(3,880)		
Profit for the year	**8,059**			**6,059**		

Annex 2

Statement of financial position as at December 31, 2011, prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

	December 31, 2011			December 31, 2010		
Statement of financial position	**Balances**	**of which with related parties**	**% Weighting**	**Balances**	**of which with related parties**	**% Weighting**
Amounts in thousands of Euro and percentage weighting on individual items						
Non-current assets						
Property, plant and equipment	19,067			8,229		
Intangible assets with finite useful life	12,168			7,127		
Investments in subsidiaries	2,538			1,547		
Deferred tax assets	2,525			3,044		
Other non-current financial assets	74			67		
Total non-current assets	**36,373**			**20,014**		
Current assets						
Inventories	84,137			64,778		
Trade receivables	17,873			15,951	9,603	60.2%
Other current assets	6,873			5,363		
Cash and cash equivalents	13,002			16,595		
Current financial assets	2,269			5,082		
Total current assets	**124,153**			**107,769**		
Total assets	**160,526**			**127,783**		
Equity						
Share capital	531			518		
Reserves	67,306			64,113		
Losses carried forward	(770)			(6,829)		
Profit for the year	8,059			6,059		
Total equity	**75,126**			**63,861**		

Statement of financial position	December 31, 2011 Balances	of which with related parties	% Weighting	December 31, 2010 Balances	of which with related parties	% Weighting
Non-current liabilities						
Medium-long term financial liabilities	11,522			846		
Employee benefits	213			213		
Provisions for risks and charges	-			112		
Deferred tax liabilities	83			69		
Total non-current liabilities	**11,819**			**1,240**		
Bank loans and other current financial liabilities	2,527			5,600		
Provisions for risks and charges	84			534		
Trade payables	53,356	19	0.0%	42,964	3,762	8.8%
Tax liabilities	391			341		
Other payables	17,224			13,243		
Total current liabilities	**73,581**			**62,682**		
Total equity and liabilities	**160,526**			**127,783**		

Annex 3

Statement of cash flows for the year ended December 31, 2011, prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

Statement of cash flows	2011 Balances	2011 of which with related parties	2011 % Weighting	2010 Balances	2010 of which with related parties	2010 % Weighting
Profit for the year	8,059			6,059		
Adjustments for:						
Taxes for the year	4,925			3,880		
Financial expenses	1,018			949		
Financial income	(622)			(866)		
Depreciation, amortisation and impairment losses	7,558			3,701		
Fair value measurement of stock options	4,167			3,642		
(Gains)/losses on sale of non-current assets	-			-		
Employee benefits	11			33		
Provisions for risks and charges	84			257		
Payment of employee benefits	(10)			(39)		
Use of provisions for risks and charges	(646)			(284)		
Changes in inventories	(19,358)			(21,689)		
Changes in trade receivables	(1,921)			(4,980)	(3,266)	65.6%
Changes in trade payables	10,142	(3,744)	(36.9%)	17,929	(231)	1.3%
Changes in other current assets and liabilities	1,587			(4,206)		
Cash flow from operating activities	**14,994**			**4,386**		
Income tax paid	(4,342)			(6,956)		
Interest and other financial expenses paid	(1,018)			(949)		
Interest and other financial income received	622			866		
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**10,255**			**(2,653)**		

Statement of cash flows	Balances	2011 of which with related parties	% Weighting	Balances	2010 of which with related parties	% Weighting
Acquisition of property, plant and equipment	(1,306)			(5,225)		
Acquisition of intangible assets	(9,095)			(6,063)		
Acquisition of investments in subsidiaries	(991)			(1,000)		
Acquisition of other non-current financial assets	(8)			(16)		
NET CASH USED IN INVESTING ACTIVITIES	**(11,399)**			**(12,304)**		
Financing activities						
New short-term liabilities	-			5,028		
Repayment of current liabilities	(5,030)			-		
New medium-long term financial liabilities	(155)			-		
Repayment of medium-long term financial liabilities	-			(155)		
Treasury shares purchase	(953)			(362)		
Capital injection for share capital increase and share premium reserve	1,016			1,797		
Investments in other financial assets	2,813			(5,082)		
Variation through difference between cash effect and action of incentive plans	(140)			(12)		
NET CASH FROM FINANCING ACTIVITIES	**(2,449)**			**1,212**		
TOTAL CASH FLOW FOR THE YEAR	**(3,593)**			**(13,745)**		
Cash and cash equivalents at the beginning of the year	16,595			30,340		
Cash and cash equivalents at the end of the year	13,002			16,595		
TOTAL CASH FLOW FOR THE YEAR	**(3,593)**			**(13,745)**		

Annex 4

A summary of fees paid during the year for services provided to the Parent by the independent auditors and the entities within the independent auditors' network, prepared in accordance with Article 149-*duodecies* of Issuer Regulation 11971 of May 13, 1999 and subsequent amendments.

Type of service	Party providing the service	Recipient	Fee (thousand Euro)
Auditing	KPMG S.p.A.	Parent	205
Other services	KPMG S.p.A.	Parent	2
Total			**207**

Annex 5

Table summarising the possible uses of reserves

(Thousand Euro)

Type/description	Amount	Possible use	Available portion	of which available for distribution
Share capital:				
Share capital	531	B		
Capital injection for future share capital increase	177	A,B		
Equity-related reserves:				
Share premium reserve (1)	57,149	A,B,C	57,149	54,259
Treasury shares purchase reserve	(1,315)			
Grants related to assets	-			
Reserve for negative goodwill	-			
Income-related reserves:				
Legal reserve	193	B	193	
Statutory reserves	-			
Stock option reserves	11,985	A,B	11,985	
Hedging reserves	(883)		(883)	
Retained earnings	(770)			
Total share capital and reserves	**67,067**			
Profit for the year	8,059			
Total equity	**75,126**			

Key:

A: For share capital increase

B: to hedge losses

C: dividends

NB:
(1) Pursuant to Article 2431 of the Italian Civil Code, this reserve can only be distributed if the legal reserve has reached the limit specified in Article 2430 of the Italian Civil Code.
The distribution possibilities for the share premium reserve are determined by removing the retained earnings, the profit/(loss) for the year and the percentage of treasury shares purchased times the excess amount of the par value of the latter, which is already tied in under the actual terms under which the share capital is bound (Euro 1,315 thousand net of Euro 1,620 of share capital figuratively repurchased).

STATEMENT ON THE SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2011 PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION 11971 OF MAY 14, 1999 AS AMENDED

The undersigned, Federico Marchetti, as Chief Executive Officer, and Francesco Guidotti, as Director in charge of preparing corporate accounting documents of YOOX S.p.A. hereby certify, with due regard for the provisions of Article 154-bis(3 and 4) of Legislative Decree No. 58 of February 24, 1998:

- the adequacy, with respect to the Company's characteristics and
- the actual application of

administrative and accounting procedures for the preparation of the separate financial statements during 2011.

They further certify that:
the separate financial statements at December 31, 2011:

- were prepared in accordance with International Financial Reporting Standards endorsed by the European Union pursuant to EC Parliament and Council Regulation No. 1606/2002 of July 19, 2002;
- correspond to entries made in accounting ledgers and records;
- are suitable for providing a true and fair view of the financial position and results of operations of the issuer;

the Directors' report contains a reliable analysis of operating performance and results and of the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Chief Executive Officer

Federico Marchetti
(signed on the original)

Director in charge of preparing corporate accounting documents

Francesco Guidotti
(signed on the original)

REPORT OF THE AUDITORS

KPMG S.p.A.
Revisione e organizzazione contabile
Via Andrea Costa, 160
40134 BOLOGNA BO

Telefono +39 051 4392511
Telefax +39 051 4392599
e-mail it-fmauditaly@kpmg.it

(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
YOOX S.p.A.

1 We have audited the separate financial statements of YOOX S.p.A. as at and for the year ended 31 December 2011, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 16 March 2011 for our opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the separate financial statements of YOOX S.p.A. as at and for the year ended 31 December 2011 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of YOOX S.p.A. as at 31 December 2011, the results of its operations and its cash flows for the year then ended.

4 The directors of YOOX S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and shareholding structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure with the financial statements to which they refer, as required by the law. For this purpose, we

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

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

Società per azioni
Capitale sociale
Euro 7.625.700,00 i.v.
Registro Imprese Milano e
Codice Fiscale N. 00709600159
R.E.A. Milano N. 512867
Partita IVA 00709600159
VAT number IT00709600159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA

have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure are consistent with the consolidated financial statements of the YOOX S.p.A. as at and for the year ended 31 December 2011.

Bologna, 13 March 2012

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING FINANCIAL STATEMENTS AT DECEMBER 31, 2011 – CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011 *(pursuant to Article 153 of Legislative Decree 59/1998 and Article 2429 of the Italian Civil Code)*

YOOX S.p.A.

Registered office: Via Nannetti, 1 – 40069 Zola Predosa (BO), Italy

Tax code and Bologna Company Register no. 02050461207

Share capital: Euro 550,996.16, fully paid up

http://www.yooxgroup.com

Report of the Board of Statutory Auditors to the Shareholders' Meeting
Annual Financial Statements at December 31, 2011 – Consolidated Financial Statements at December 31, 2011
(*pursuant to Article 153 of Legislative Decree 58/1998 and Article 2429 of the Italian Civil Code*)

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To the shareholders of YOOX S.p.A. (the "Company")

Dear shareholders,

Throughout the financial year ended December 31, 2011 we have carried out our supervisory duties pursuant to the laws and regulations currently in force, in accordance with the standards of conduct recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Council of Certified Public Accountants) and pursuant to Article 149 of Legislative Decree 58/1998 (Consolidated Finance Act - TUF). We are therefore able to make this report in accordance with Article 153 of the TUF and Article 2429 of the Civil Code, with regard to the instructions provided by CONSOB in Communication no. 1025564 of April 6, 2001 and later updates.

The legally-required task of auditing the financial statements was assigned to external auditors KPMG S.p.A. (hereinafter known as the *External Auditors*); we refer you to their reports.

Regarding the Company's compliance with the Code of Conduct of listed companies prepared by Borsa Italiana S.p.A., please see the Annual Report on Corporate Governance in the relevant section of the financial statements.

The Board of Directors comprises seven members, including three independent directors. The Board of Statutory Auditors has verified, according to 3.C.5 of the *Borsa Italiana S.p.A.* Code of

Conduct, that the criteria and procedures adopted by the Board of Directors to assess the independence of these directors were correctly implemented.

During the year, 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 general operating performance and on its outlook, in accordance with Company rules on corporate governance. The directors also supplied information on business activity carried out and transactions with a significant effect on the income statement, balance sheet and financial situation of the Company and/or its subsidiaries. If we may refer you to the directors' report on the main initiatives undertaken throughout the year, we can state that, to the best of our knowledge, these were based on the principles of managerial best practice and that any problems relating to potential or possible conflicts of interest were carefully assessed.

During the year, four meetings of the Internal Control Committee were held, which at least one member of the Board of Statutory Auditors attended. There were also six meetings of the Remuneration Committee. No meetings of the Related Parties Committee or the Director Appointment Committee were held in 2011.

We monitored the specific implementation of the regulations on corporate governance set out in the Code of Conduct of listed companies prepared by *Borsa Italiana S.p.A*..

We verified the compliance of the statutory adjustment operations with the provisions of Legislative Decree no. 27 of January 27, 2010, which implemented directive 2007/36/EC relating to the exercise of certain rights of shareholders of listed companies as well as Legislative Decree no. 146 of September 25, 2009 containing additions and amendments to Legislative Decree no. 229 of November 19, 2007, which implemented directive 2004/25/CE on the subject of IPOs.

We had regular meetings and exchanges of data and information with representatives of the *External Auditors*; no matters arose in the course of these encounters requiring mention in this report.
During the year the Company entrusted the *External Auditors* with further tasks in relation to the legally-required auditing of the accounts.
No critical aspects regarding the independence of the *External Auditors* emerged also taking into consideration the provisions of Legislative Decree no. 39/2010.
No individuals belonging to the KPMG S.p.A. "network" were engaged.
We monitored observance of the law and of the Articles of Incorporation, and we have no particular observations to report in this regard. We met nine times during 2011 both for legal checks and in order to exchange information with the person delegated to auditing as well as with the members of the Internal Control Committee.

With reference to compliance with the criteria of independence set out in the Code of Conduct for each member of the Board of Statutory Auditors, we can confirm that we verified that none of the above-mentioned members either has, or has recently had, either indirectly, with the Company or through individuals connected to the Company, relations that would affect the independence of their judgement. As governed by 8.C.1. of the Code of Conduct mentioned, we have exposed the outcome of the inspection in the report on corporate governance.

We have adapted the functions and responsibilities of the Board of Statutory Auditors, to which Article 19 of Legislative Decree no. 39/2010 attributes the role of "Committee for internal control and auditing of accounts", to the provisions of the above-mentioned regulation.

We therefore conducted the supervisory activities therein, with reference to: ***a)*** the process of financial reporting; ***b)*** the effectiveness of the systems of internal control, internal auditing and risk management; ***c)*** the external auditors engaged for the legally-required auditing of the annual and consolidated financial statements; ***d)*** the independence of these external auditors through direct investigations, obtaining information from the heads of the various departments and the analysis of the results of the work conducted by the external auditors.

In this context we have: ratified the results of the quarterly inspections of the corporate accounting carried out by KPMG S.p.A., taking the following into consideration: ***(i)*** the reports issued by the latter pursuant to Articles 14 and 19, paragraph 3, of Legislative Decree no. 39/2101, together with ***(ii)*** the issuing of the annual ratification of their independence pursuant to Article 17, paragraph 9, a) of Legislative Decree no. 39/2010; having analysed the risks relating to the independence of the external auditors and the measures adopted by them to limit them.

We monitored compliance with managerial best practice; the decisions made and implemented by the Board of Directors appear to be in full compliance with the Law and the Bylaws, do not conflict with resolutions passed by the Shareholders' Meeting or present any conflict of interests and are based on managerial best practice. The directors in their Report on Operations for 2011 report on transactions with a significant effect on the Company's income statement, balance sheet and financial position for the year. This report complies with the existing laws and regulations and is consistent with the resolutions adopted by the board of directors, the annual financial statements and the consolidated financial statements and also the significant events after the year-end.

Within our mandate, we gathered data and information from the heads of each company department and also through direct investigations and monitored the adequacy of ***(i)*** the management and accounting system in place in terms of its faithful and reliable representation of operating performance, and ***(ii)*** the Company's organizational structure. We believe these structures to be appropriate in view of the characteristics of the Company and the business it undertakes.

We monitored the adequacy of the internal control system by ***(i)*** attending meetings of the Internal Control Committee, ***(ii)*** examining the relevant reports and ***(iii)*** gathering information from the respective heads of department and from the *External Auditors*. We also examined company documentation and verified procedural compliance. On the basis of this activity, we believe that the entire internal control system, which is constantly being updated, is prepared and organised in such a way as to ensure the correct, regular performance of its functions. Among other things this makes it possible to provide a faithful indication of performance and operations, in terms of the Company's income statement, balance sheet and financial position.

We examined the instructions given by the Company to its subsidiaries pursuant to Article 114, paragraph 2 of the TUF, which appear to be adequate. We analysed the suitability of the company organization and procedures adopted in terms of providing the Company with regular information on the income statements, balance sheets and financial situations of its subsidiaries.

We verified and assessed the periodic report and press releases published by the Company, as well as compliance with CONSOB obligations on disclosure.

We monitored the updating activities for the Organizational and Control Model pursuant to Legislative Decree No. 231/2001 also for the purpose of ratifying the regulatory modifications. The Supervisory Body reported on activity that took place in 2011. No censurable circumstances or specific violation of the model were reported.

We monitored the financial reporting process and verified observance of the legislative and regulatory standards relating to the preparation and structuring of financial statements and consolidated financial statements, as well as the relevant accompanying documents. To be specific, both the annual financial statements and the consolidated financial statements are accompanied by the aforementioned statements of compliance pursuant to Article 154 bis of Legislative Decree 58/1998 and Article 81 ter of CONSOB Regulation no. 11971 of May 14, 1999 and later amendments and additions. We also verified that the statements were consistent with the circumstances and information that came to our attention in carrying out our duties. We have no specific observations to make in this respect.

The financial statements to December 31, 2011, submitted for your approval, closed with a profit of Euro 8,058,981.25, while the consolidated financial statements show profit attributable to the Group of Euro 10,000,397.07.

KPMG S.p.A. issued reports today on the annual financial statements and the consolidated financial statements. These do not contain observations on disclosure or requests for information.

We received information from the external auditors regarding the time dedicated to the auditing of the annual financial statements and consolidated financial statements to December 31, 2011 and the total fees due. Regarding notification of considerations for the provision of auditing services, see the information provided by the Company in the annexes to the annual financial statements and the consolidated financial statements to December 31, 2011, in accordance with Article 149 – *duodecies* of the Issuer Regulation.

In the “Risk factors” section of the Report on Operations, the directors describe the main risks and uncertainties to which the Company is exposed, identifying both operational and financial risks (foreign exchange, country, interest rate, price, credit and liquidity) as well as general risks.

The directors state that relationships between the Company, Group companies and/or related parties cannot be classed as atypical or unusual, that they form part of the ordinary course of business and that they were carried out under market conditions. We believe the information provided in the explanatory notes to the financial statements with regard to this reporting of the interchange of goods and services to be adequate. The Board of Statutory Auditors has ascertained that such transactions comply with the Law and the Bylaws, are in the Company's interests and are not likely to give rise to any doubts with regard to the accuracy and completeness of the relevant disclosures, the safeguarding of company assets and the protection of minority shareholders.

During the year, the Company carried out transactions with own shares by virtue of the resolution adopted by the meeting on this subject during 2011.

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Our regular supervisory activities were carried out throughout the financial year ended December 31, 2011. No omissions, censurable circumstances or irregularities emerged that need to be mentioned in this report.

Throughout the year we did not issue opinions as they were not required by law.

No claims pursuant to Article 2408 of the Civil Code or statements by third parties were received.

No statements or other reports were received.

During the course of the aforementioned supervisory activities, no facts came to light that need to be mentioned in this report due to their importance.

To summarise the supervisory activities carried out during the year, we have no proposals to make pursuant to Article 153, paragraph 2 of Legislative Decree 58/1998 (TUF).

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In light of all the points described and indicated above, we consider that the Report on Operations contains appropriate information on business operations conducted during the year, and we agree with the proposal made by the Board of Directors with regard to the allocation of profit for the year.

Milan, March 13, 2012

The Board of Statutory Auditors

Filippo Tonolo – Chairman

(signed on the original)

David Reali – Standing Auditor

(signed on the original)

Luca Sifo – Standing Auditor

(signed on the original)

5

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