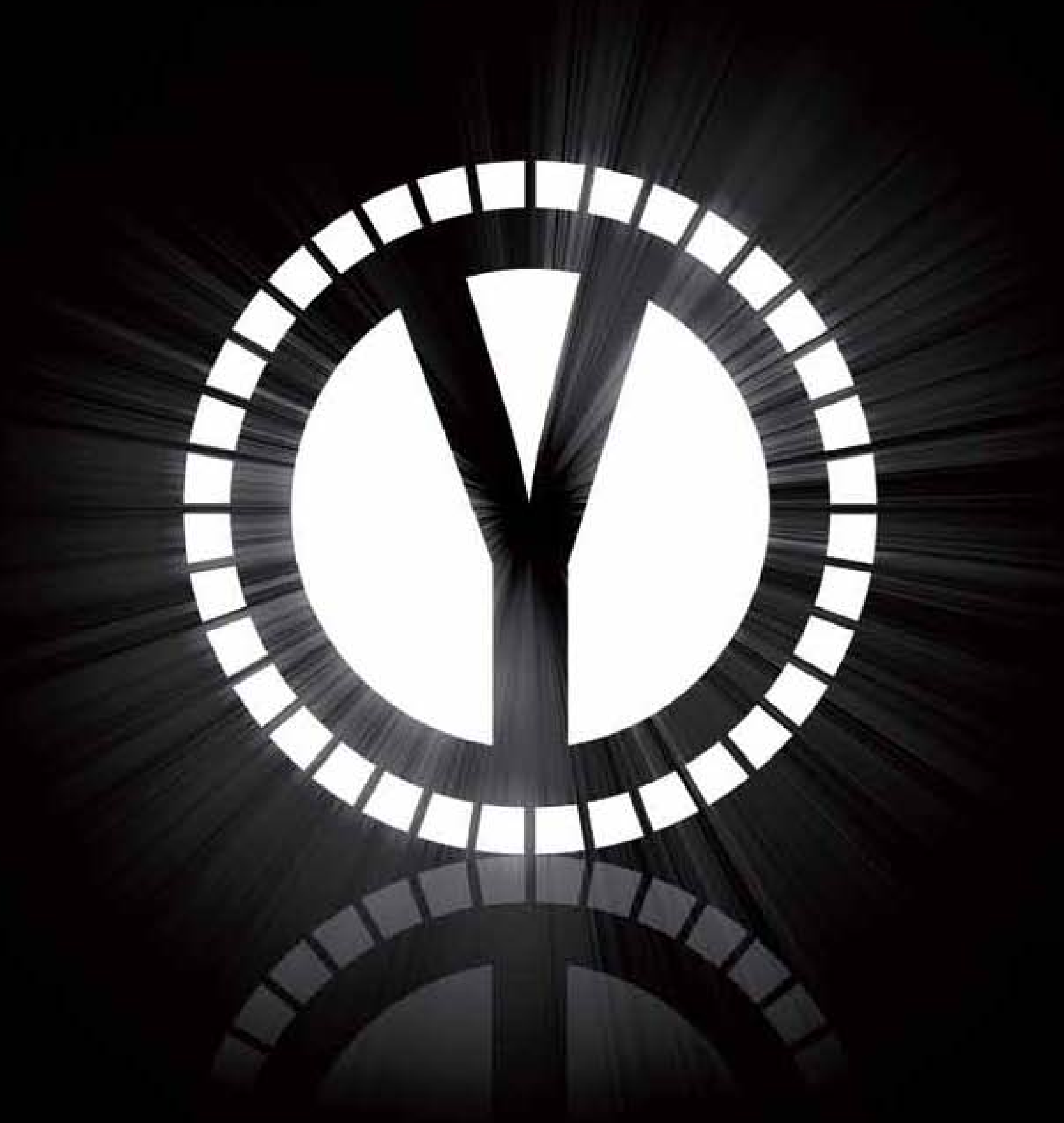
YOOX GROUP



Annual Report 2010

YOOX S.p.A.
Via Nannetti, 1 – 40069 Zola Predosa (BO)
Share capital: Euro 524,802.72 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, Spain, United Kingdom, United States

Other countries

Argentina, Australia, Austria, Bahrain, Belgium, Bulgaria, Canada, Chile, China, Cyprus, Vatican City, Colombia, Croatia, Czech Republic, Denmark, Egypt, Arab Emirates, Estonia, Philippines, Finland, Georgia, Greece, Hong Kong, India, Indonesia, Ireland, Iceland, Israel, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Morocco, Mexico, The Netherlands, Oman, New Zealand, Norway, Panama, Poland, Portugal, Romania, Russian Federation, San Marino, Serbia, Singapore, Slovakia, Slovenia, South Africa, Sweden, Switzerland, Taiwan, Thailand, Tunisia, Turkey, Ukraine, Hungary, 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 95
Statement about the consolidated financial statements pursuant to art. 81-ter of CONSOB regulation 11971 of may 14, 1999 as amended 177
Report of the Auditors 179
Separate financial statements YOOX S.p.A. 181
Statement about the separate financial statements 251
Report of the Auditors 253
Board of Statutory Auditors' report 255

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

Dear Shareholders,

2010 was a particularly important year in our Group's history, as it was the first year after YOOX S.p.A. was listed on the stock market, a process that was completed in December 2009.

In 2010, YOOX once again achieved excellent results, confirming the Group's position as the undisputable leader in its sector, both in Italy and on the international scene. The Group closed the year with net revenues of Euro 214,288 thousand, an increase of 40.8% compared with 2009, and with net income more than doubling from the previous year to Euro 9,117 thousand.

In addition to these important results, which confirm the validity and success of our global business model, at 30 December 2010 the YOOX share price had posted a very positive performance, gaining 123.7% on the IPO price, and rising by 84.3% over the 12 months of 2010.

2010 was also the year when we entered the Chinese market, a crucial objective set following the IPO: not only have we fully achieved this objective, we did so earlier than expected. The Emporio Armani Online Store, emporioarmani.cn, was launched on 26 November 2010, and is the first to be "Powered by YOOX Group" in China.

China represents one of the most important pillars for completing our offering to the fashion industry, with the aim of consolidating our position as the global Internet retailing partner for the leading brands. This is a long-term strategy in a market that offers great potential, which we have entered as the first mover. In order to succeed in China, in the first few years YOOX intends to adopt a full-price strategy and a high-end positioning in the market.

During 2010, we focused on evolving and strengthening our technology platform, confirming our reputation as innovators of new multi-channel solutions on a global scale. We launched a yoox.com native application for iPad to coincide with the US launch of the Apple iPad in April 2010, as well as a version of yoox.com for the "Keitai" mobile platform aimed at the Japanese market.

To enhance customer service and improve the Group's operating efficiency and profitability, in the fourth quarter of 2010 we also commenced a major project to fully automate our global operations and distribution platform. Thanks to the combination of state-of-the-art automation systems and RFid (radio frequency identification) technology, the new highly-automated global operations and distribution platform will be unique in the sector, and will be able to support the Group's projected growth through 2016.

Our focus on people has been one of the key factors behind our success, and in 2010 we continued to implement initiatives to support our staff, including the constant fine-tuning of our organisational structure to keep pace with growth and new challenges, the promotion of in-house talents alongside the recruitment of senior figures who can contribute new skills to the rest of the team, on-the-job training initiatives and the second edition of the Masters in E-Fashion created by YOOX and run in conjunction with Istituto Marangoni, one of the world's leading fashion schools.

In line with the philosophy of our Group, which has always placed great importance on ethical and environmental issues, 2010 saw eco-friendly initiatives such as the "Smart Water for Green Schools" project, in addition to our long-standing collaboration with Green Cross International. Even the project to automate our global operations and distribution platform has been developed with environmental sustainability in mind: all the containers used in the system are made from recycled materials and are 100% recyclable, and the technology employed enables significant energy savings compared with the traditional process.

This year, I would once again take the opportunity to thank our customers, whether they have been loyal visitors to our online stores for years or made their first ever online purchase in 2010, and I hope that our dedication to customer service and the shopping experience as a whole has persuaded them to shop with us again in the near future.

I would like to conclude by reiterating that 2010 was a hectic year, but one that brought with it great successes, and we are confident that the Group has become stronger and more global, always looking to the future with a spirit of innovation and as a pioneer in our sector.

Chairman of the Board of Directors

Federico Marchetti
(signed on the original)

REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE

pursuant to articles 123 bis of the Consolidated Finance Act and 89 bis of the Consob Issuers' Regulation

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

Website: www.yooxgroup.com

Year to which the Report refers: 2010

Report approval date: March 9, 2011

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, 2010 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) Amendments to the bylaws (article 123-bis, paragraph 1, letter I) of the TUF). 14
   i) Delegation of power to increase share capital and authorisation to purchase treasury shares (article 123-bis, paragraph 1, letter m) of the TUF). 14
   l) Change of control clauses (article 123-bis, paragraph 1, letter h) of the TUF) 16
   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 indipendent director 27
5. HANDLING OF COMPANY INFORMATION 27
6. COMMITTEES WITHIN THE BOARD 29
7. DIRECTORS' APPOINTMENTS COMMITTEE 29
8. REMUNERATION COMMITTEE 30
9. DIRECTORS' REMUNERATION 31
10. INTERNAL CONTROL COMMITTEE 32
11. INTERNAL CONTROL SYSTEM 34
   11.1 Executive Director in Charge of the internal control system 35
   11.2 Internal Control Manager 35
   11.3 Organisational Model pursuant to Legislative Decree 231/2001 37
   11.4 Independent auditors 38
   11.5 Executive 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 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.

CONSOB Issuers’ Regulation: the Regulation issued by CONSOB with resolution 11971 of 1999 concerning issuers.

Report: the corporate governance report that companies must prepare pursuant to article 123 bis of the Consolidated Finance Act and 89 bis of the Consob Issuers’ Regulation

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

1. ISSUER PROFILE

The YOOX Group is the global Internet retailing partner for leading fashion & 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, valentine.com and diesel.com, all "Powered by YOOX Group". The Group has logistics centres and offices in Europe, the United States, Japan and China and delivers to 67 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 world's most important fashion designers, exclusive capsule collections, 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 contents, allowing visitors to fully experience the world of the designers and their inspiration.

Since 2006, the YOOX Group has designed and managed Mono-brand Online Stores for major fashion brands looking to offer their latest collections currently available in the shops on the Internet. Thanks to years of experience and online shopping expertise, the 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 Italian Stock Exchange since December 3, 2009 ("**Start of Trading**").

The Issuer is organised in accordance with 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, 2010

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

- At December 31, 2010, the subscribed and paid-up share capital was Euro 517,635.56;
- At the date of this Report, the subscribed and paid-up share capital was Euro 524,802.72.

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

	No. of shares	% of Share Capital	Listed	Rights and obligations
Ordinary shares (no nominal amount)	52,480,272	100	MTA/STAR segment	A voting right is attached to every share. The rights and obligations of shareholders are those set out in articles 2346 *et seq.* of the Civil Code. See section 16 of this Report for more information.

Since 2000, the Issuer has implemented a series of corporate stock option 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 existing stock option plans at December 31, 2010, see the information documents prepared pursuant to article 84-bis of the CONSOB Issuers' Regulation held at the Company headquarters and available in the Corporate Governance section of the Company website, www.yooxgroup.com, and the notes to the Consolidated Financial Statements as at and for the year ended December 31, 2010, available in the Investor Relations 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)

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

Declarant	Direct shareholder	% share of ordinary share capital	% share of voting share capital
Balderton Capital EU Holdings Limited	Balderton Capital I L.P.	11,186	11,186
Renzo Rosso	Red Circle S.r.l. Unipersonale	6,056	6,056
Federated Equity Management Company of Pennsylvania	Federated Equity Management Company of Pennsylvania	4,908	4,908
Essegi S.r.l.	Essegi S.r.l.	4,719	4,719
JP Morgan Asset Management Holdings Inc.	JP Morgan Asset Management (UK) Limited	4,702	4,702
Federico Marchetti	Federico Marchetti	4,596	4,596
Pictet Funds (Europe) SA	Pictet Funds (Europe) SA	2,519	2,519
Henderson Global Investors Limited	Henderson Global Investors Limited	2,211	2,211
Wasatch Advisors Inc.	Wasatch Advisors Inc.	2,208	2,208
Aviva Investors Global Services Limited	Aviva Investors Global Services Limited	2,073	2,073

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 or 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)

On March 16, 2009, Red Circle S.r.l. Unipersonale and YOOX signed an important lock-up agreement, pursuant to article 122 of the TUF, which sets limits on the transfer of YOOX ordinary shares covered by the agreement.

Commitments resulting from this lock-up agreement remain in force for the whole period running from the subscription date to December 31, 2010.

This agreement has ceased in all effects as it expired on December 31, 2010. The notice of termination for the above agreement is available on the Company website www.yooxgoup.com under the Corporate Governance section.

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

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

Amendments to 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; (iv) amendment of the bylaws to comply with regulatory provisions; it is understood that these resolutions may also be taken by the Shareholders in their Extraordinary Meetings.

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

Over the year, the Shareholders did not grant the Board the power to increase the share capital pursuant to article 2443 of the Civil Code, or to issue equity financial instruments.

As part of the 2007–2012 Stock Option Plan, with resolution dated May 16, 2007, the Company’s Shareholders in their Extraordinary 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 amount) of a maximum number of 5,424,588 new ordinary shares with the same characteristics as the outstanding shares, with an implicit unit price of Euro 0.01, for a maximum nominal amount of Euro 54,245.88. The newly issued shares will have identical dividend rights to the other outstanding shares at the time of their subscription. The increase is intended to service a stock option plan for the directors, collaborators 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 existing stock option plans at December 31, 2010, see the information documents prepared pursuant to article 84-bis of the CONSOB Issuers' Regulation held at the Company headquarters and available in the Corporate Governance section of the Company website, www.yooxgroup.com, and the notes to the Consolidated Financial Statements as at and for the year ended December 31, 2010, available in the Investor Relations section of the company website, www.yooxgroup.com.

***

In their meeting held on October 7, 2009 the Shareholders authorised the purchase and use of treasury ordinary shares (i) for the possible use of shares as payment in extraordinary transactions, including share swaps with other parties as part of transactions in the Company's interest, or (ii) to use the treasury shares acquired to service programmes 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; and (iii) to lend treasury shares to Specialist Operators so that they can meet the 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 in their meeting:

- authorised, pursuant to article 2357 of the Civil Code, the purchase, in one or more tranches, for a period of 18 months from the Start of Trading of ordinary shares of the Company (i.e. until June 3, 2011), 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 regulations 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, and in accordance with the operating conditions established by market practice regarding the purchase of treasury shares for the creation of a "bank of shares" allowed by article 180, paragraph 1, letter c) of the TUF, including those relating to volumes pursuant to article 5, paragraphs 2 and 3 of Regulation EC 2273/2003 of December 22, 2003;

- granted the Board a mandate to identify the amount of shares to be purchased and to proceed with the purchase under the conditions and for the purposes expressed, as gradually as is considered to be appropriate in accordance with the Company's interests, as allowed by the regulations in force, in a manner prescribed by article 144-bis, paragraph 1, letter b) of the CONSOB Issuers' Regulation, and in accordance with article 132 of the TUF on the equal treatment of shareholders;

- authorised the Board, without time limit and pursuant to article 2357-ter of the Civil Code, to use, wholly or in part and in one or more tranches, until each buyback programme is used up, treasury shares purchased following this resolution, or those in the Company's portfolio, by selling them on- or off-market, in accordance with the legal and regulatory provisions in force and for the purposes set out in this resolution, subject to the terms, procedures and conditions relating to the use of treasury shares considered to be in the Company's best interests. It is understood that (a) transactions involving the use of treasury shares implemented as part of extraordinary operations, including share swaps with other parties, may take place at a price or value consistent with the operation, 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, including operating procedures, established by CONSOB resolution 16839 of March 19, 2009, which are considered to fully apply.

With reference to the purposes set out in point (iii) above, the Shareholders in their meeting:

- authorised, pursuant to article 2357 of the Civil Code, the purchase, in one or more tranches, for a period of 18 months from the Start of Trading (i.e. until June 3, 2011), 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 regulations in force,

at a unit price not lower than 15% less and not higher than 15% more than the official price registered by YOOX shares on the trading day preceding each transaction;

- granted the Board a mandate to proceed with the purchase under the conditions and for the purposes expressed, as gradually as is considered to be appropriate in the Company's interests, as allowed by current regulations, in a manner prescribed by article 144-bis, paragraph 1, letter b) of the CONSOB Issuers' Regulation, and in accordance with article 132 of the TUF on the equal treatment of shareholders;

- authorised the Board, pursuant to article 2357-ter of the Civil Code, to use, at any time, wholly or in part, in one or more tranches, even before the buybacks have been used up, treasury shares acquired by selling them on- or off-market, in accordance with the legal and regulatory provisions in force and subject to the terms, procedures and conditions relating to the use of treasury shares considered to be in the Company's best interests. The authorisation set out in this point is granted without time limit.

In their meeing the Shareholders 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 latest approved financial statements at the time the transaction is carried out, and that, on the occasion of the purchase and sale of treasury shares, the necessary accounting entries should be made, in compliance with the legal provisions in force and applicable accounting standards.

On July 1, 2010, the Board of Directors, under the limits and conditions of the Shareholders' Meeting resolution of October 7, 2009, approved the purchase of a maximum number of 312,000 Company treasury shares in order to create the provision of shares necessary for servicing the 2009 – 2014 Incentive Plan approved by the Shareholders in their 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 Issuers' Regulation held at the Company's headquarters and available on the Company website at www.yooxgroup.com under the Corporate Governance section.

At the date of this Report, YOOX holds 62,000 treasury shares, equal to 0.12% of the current share capital (equal to Euro 524,802.72, divided into 52,480,272 ordinary shares).

l) Change of control clauses (article 123-bis, paragraph 1, letter h) 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, on October 8, 2009, 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.

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.

***

With reference to further information pursuant to article 123-bis of the TUF, see the subsequent sections of this Report set out below:

- for information regarding the agreements between the Company and employees 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;
- 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 systems (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.

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

4. BOARD OF DIRECTORS

4.1 Appointment and replacement of directors

The bylaws governing the composition and appointment of the Issuer's Board of Directors (article 14 of the bylaws) are appropriate to ensure compliance with the provisions introduced by Law 27 of January 27, 2010 for the implementation of directive 2007/36/EC relating to the exercising of certain rights of shareholders of listed companies. The amendments for adapting the bylaws to this new regulation were approved by the Board during the meeting on November 10, 2010.

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 in their meeting determine the number of directors and the term for which 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.

However, 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 in their meeting based on the lists presented by the shareholders, in accordance with 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 Issuers' Regulation, may present a list for the appointment of directors. In this regard, with resolution 17633 of January 26, 2011, CONSOB set the shareholding required to present candidate lists for the election of the Issuer's management body, with reference to the year ended December 31, 2010, 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 submitted to 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 call). The Company must also make the lists available to the public at least 21 (twenty-one) days before the Shareholders' Meeting, in accordance with the procedures set out by the laws in force.

The lists should nominate no more than 15 candidates, numbered progressively. Each list must contain and expressly indicate at least one 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, where applicable, directors meeting the

requirements of independence set out in the codes of conduct drawn up by companies that manage regulated markets or by trade associations may also be expressly indicated.

Furthermore, the lists should contain, even if in annexes:

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

(ii) the statements in which the candidates accept their candidacy and personally 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, where applicable, further requirements set out in the codes of conduct drawn up by companies that manage regulated markets or by trade associations;

(iii) indication of the identity of the shareholders which 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 trustee or through a nominee. A candidate may be present only on one list, and will otherwise 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 in their 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 in their meeting will 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 in their meeting, the members of the Board of Directors are appointed by the Shareholders in their meeting through simple majority voting, without prejudice to the obligation of the Shareholders' 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 the independence requirements; the director will lose his/her post if the Board no longer has the minimum number of directors meeting the independence requirements set out by the laws in force.

Lastly, under article 14 of the bylaws, if for any reason one or more directors cease to hold their 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, where applicable. Otherwise, the Chairman is appointed by the Shareholders' 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' 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 Shareholders in their Ordinary Meeting of October 7, 2009, with the exception of director Raffaello Napoleone, who was appointed through co-option, pursuant to article 2386 of the Civil Code, with the resolution of the Issuer's Board of Directors on July 1, 2010, following the resignation of Fausto Boni. The director Catherine Gérardin, who was co-opted in 2009, has since been appointed through a resolution of the Shareholders in their meeting on April 21, 2010. 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 of and for the year ending December 31, 2011.

The curriculum vitae of every director are filed at the Company headquarters and is 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	1
Stefano Valerio	Deputy-Chairman	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-		X			100	3
Raffaello Napoleone	Director	July 1, 2010	Until the next Shareholders' Meeting	-		X	X	X	83.3	0
Mark Evans	Director	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-		X			45.5	16
Catherine Gérardin	Director	Apr. 21, 2010	Approval of the Financial Statements Dec. 31, 2011	-		X	X	X	81.8	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

Directors who left during the year

Name	Position	In office since	In office until	List	Exec.	Non-exec.	Indep.	Indep. TUF	% attendance	Other positions
Fausto Boni	Director	Oct. 7, 2009	July 1, 2010	-		X			60	1

<u>**KEY**</u>
Position: indicates whether the director is Chairman, Deputy-Chairman, Chief Executive Officer, etc.
List: indicates 'M'/'m', according to whether the director was elected from the majority or minority list (article 144-decies of the CONSOB Issuers' Regulation).
Exec.: indicates whether the director can be classified as executive.
Non-exec.: indicates whether 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, specifying at the foot of the table whether these criteria have been supplemented or amended (see Section 4.7 of this Report).
Indep. TUF: indicates whether the director meets the requirements of independence established by article 148, paragraph 3 of the TUF (article 144-decies of the CONSOB Issuers' Regulation).
% attendance: shows attendance, in percentage terms, of the director 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, based on criteria defined by the Board.
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	RPOC	% RPOC
Stefano Valerio	Deputy-Chairman	-	-	M	-						
Fausto Boni (*)	Director	-	-					M	50		
Catherine Gérardin	Director	-	-	M	-	M	100	M	100	M	-
Massimo Giaconia	Director	-	-	C	-	M	100	C	100	C	-
Elserino Mario Piol	Director	-	-			C	100	M	50		
Raffaello Napoleone(*)	Director	-	-							M	-

(*) On July 1, 2010, Fausto Boni resigned from his position as a director of the Company; on the same date, the Board of Directors co-opted Raffaello Napoleone, pursuant to article 2386 of the Civil Code.

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.
RPOC: Related Parties Operations Committee; insert 'C'/'M' if 'Chairman'/'Member' of the Related Parties Transactions Committee.
% RPOC: shows attendance, in percentage terms, of the director at the Related Parties Transactions Committee meetings (in calculating this percentage, consider the number of meetings that the director attended 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 of 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, in financial, banking and insurance companies or companies of a significant size, with the diligent execution of the duties assigned to him/her as director of the Issuer.

During the meeting held on March 9, 2011, following an assessment of positions held by its directors in other companies, the Board concluded that the number and nature of the positions held did not interfere and were therefore compatible with the effective execution of their roles as directors of the Issuer.

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

FORENAME AND SURNAME	COMPANY	MANAGEMENT AND CONTROL POSITIONS HELD
Federico Marchetti	YOOX Japan	Chairman
Stefano Valerio	Dmail Group S.p.A.	Director
	Immobiliare Lombarda S.p.A.	Director
	Sai Investimenti SGR S.p.A.	Director
Raffaello Napoleone	/	/
Mark Evans	Audium Semiconductor Limited	Director
	Azuro, Inc.	Director
	Big Fish Games, Inc.	Director
	Displaylink Corp.	Director
	Displaylink (UK) Limited	Director
	Icera, Inc.	Director
	Liquid Air Lab GmbH	Director
	Memrise, Inc.	Director
	Naturalmotion Limited	Director
	Orbian Corporation Limited	Director
	Orbian Investment Holdings Limited	Director
	Payzone Plc	Director
	Rothschild Continuation Holdings AG	Director
	Splashpower, Inc.	Director
	The Hut Group Limited	Director
	Worldstores Limited	Director
Catherine Gérardin	/	/
Massimo Giaconia	Air Liquide Impianti Gassificazione S.r.l.	Chairman of the Board of Statutory Auditors
	Air Liquide Italia S.p.A.	Statutory auditor
	Air Liquide Italia Service S.r.l.	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
Fausto Boni	Gruppo Mutui Online 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' have not already made provision therefore – elects the Chairman from among its members; it may also elect one or more Deputy-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 Deputy-Chairman or Deputy-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 powers and functions to the Executive Committee (see articles 21, 22 and 23 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 transactions 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 the transactions with a significant impact on the financial statements carried out by the Company and its subsidiaries; specifically, relating to transactions 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 Deputy-Chairman, or, if there is more than one Deputy-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 Deputy-Chairman or all Deputy-Chairmen are absent or unavailable, the Chief Executive shall chair the meeting; if the Chief Executive is absent or unavailable, the most senior director present according to the criteria mentioned above shall chair the meeting.

Board meetings may also be held through the use of teleconferencing or videoconferencing systems, provided that each of the participants may be identified by all the others and that each participant is able to contribute to the discussion of the agenda items in real time, as well as receive, send or view documents, and provided that the discussion 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 any measures that it deems necessary or useful to fulfil the corporate purpose, with the exception of matters reserved to the Shareholders in their meetings 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 Shareholders in their Extraordinary 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, with the Board of Directors maintaining 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 Directors’ business plans subsequently approved);

(b) annual investment budget and amendments or additions thereto of more than 30% of the amount indicated in the latest approved business plan and/or the latest 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’ fees 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 lease of companies, company branches or real estate;

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

(i) appointment of directors and managers of subsidiaries (where these exist) 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 other commitment or collateral 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, eleven Board meetings were held on the following dates: January 18, February 8, March 11, July 1, August 5, September 10, September 23, October 4, November 10 and December 16.

The meetings were minuted.

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

At least five Board meetings are expected to take place in 2011. As well as those already held on February 9, 2011 and March 9, 2011 (the latter relating to the approval of the draft separate and consolidated financial statements as at and for the year ended December 31, 2010), the calendar of the main company events for

2011 (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, 2011: approval of the first interim financial statements at March 31, 2011;
- August 4, 2011: approval of the half-year financial statements at June 30, 2011;
- November 9, 2011: approval of the third interim financial statements at September 30, 2011.

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 proven urgency.

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

***

In its session of March 9, 2011, the Board assessed the suitability of the Issuer'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 Issuer, 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) whether the structure of the internal control system in place within the Company is truly effective in pursuing its objectives and (ii) whether any weakness revealed requires the system to be improved.

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

(a) examines a report on significant company risks submitted by the Chief Executive Officer and evaluates how these have been identified, assessed and managed. It pays particular attention to changes that have occurred over the year under review, the nature and extent of the risks, and 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 9, 2011, the Board assessed the suitability of the general organisational, administrative and accounting structure of subsidiaries with strategic importance, as 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 periodically carried out a 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) whether the structure of the internal control system in place within the subsidiaries is truly effective in pursuing its objectives and (ii) whether any weakness revealed requires the system to be improved.

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

(a) examines a report on significant company risks submitted by the Chief Executive Officer and evaluates how these have been identified, assessed and managed. It pays particular attention to changes that have

occurred over the year under review, the nature and extent of the risks, and 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.

***

In relation to Directors' remuneration, on October 7, 2009, the Company's Shareholders in their Ordinary 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 up the total annual fees. The total fees of the Board of Directors remain unchanged until the Shareholders pass a resolution to the contrary.
Payments made to the members of the Board in the year are detailed in the notes to the separate financial statements pursuant to article 78 and appendix 3C of the CONSOB Issuers' Regulation.

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 9, 2011, 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 in their meeting have 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 Officers to which to delegate, within the limits of the law and the bylaws, its powers and functions (article 19).

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

On 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. above (these powers are in addition to those assigned to the same, pursuant to the bylaws, in his role as Chairman, as defined herein).

Chairman and Deputy 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 Deputy-Chairmen who will 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 Deputy-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 transactions 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 in compliance with 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, trustees or nominees, nor are able to exercise a significant influence over it;

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

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

(iv) do not have, or have not had 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, including jointly with 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 do not have or have not had, in the previous three years, a subordinate work relationship with the above;

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

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

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

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

(ix) are not shareholders or directors of a company or organisation belonging to the network of the company engaged to audit the Issuer's accounts;

(x) have no close family ties to a person in one of the situations set out above, and in any case are not spouses or close relatives up to the fourth degree of the directors of the Issuer, its subsidiaries, its parents 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 148, paragraph 3, letters b) and c) of the TUF, at the meeting held on May 11, 2010 for Massimo Giaconia and Catherine Gérardin and at the meeting held on July 1, 2010 for Raffaello Napoleone. This verification is carried out periodically by the Board.

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

With reference to Independent Director Raffaello Napoleone, he has been the beneficiary of stock options under the Company's Stock Option Plans, exercised in March 2010, and currently owns 14,555 YOOX ordinary shares. With regard to this, at the meeting of July 1, 2010, the Board of Directors deemed this director to be in possession of the requirements of independence pursuant to article 147-ter, paragraph 4 of the TUF and article 3 of the Code.

At the Board meeting of May 11, 2010 with reference to Massimo Giaconia and Catherine Gérardin, and the meeting on July 2, 2010 with reference to Raffaello Napoleone, the Board of Statutory Auditors stated that the verification criteria and procedures adopted by the Board of Directors to assess independence requirements were correctly applied.

The independent directors met 4 times in 2010 at Internal Control Committee meetings, namely on February 22, 2010, May 5, 2010, July 27, 2010 and November 9, 2010. 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 Related Parties Transactions Committee.

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

5. HANDLING OF COMPANY INFORMATION

Procedure for publishing privileged information

In order to monitor access to and circulation of privileged information before it is announced to the public and to ensure compliance with confidentiality obligations provided for by law and regulations, as well to regulate the internal management and external communication of this information, in its meeting of 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 the Company Affairs Manager to check legal obligations and in particular whether the information should be considered privileged.

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

The task of managing privileged information relating to the subsidiaries is assigned 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 evaluation, 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 whether the information should be considered privileged.

If the information is judged to be privileged 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 executive 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 Issuers' 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 new Internal Dealing regulations pursuant to article 114, paragraph 7 of the TUF and articles 152-sexies, 152-septies and 152-octies of the CONSOB Issuers' Regulation, in force for listed companies since April 1, 2006, at its meeting of September 3, 2009, the Issuer's 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, subject to the Start of Trading of ordinary shares on the MTA, with the Board resolution of September 3, 2009.

At the date of this Report, the Directors' Appointments 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) proposing 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) submitting candidates for the position of independent director to the Issuer's Shareholders, taking into account any recommendations from the shareholders;

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

***

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

There are no meetings of the Directors' Appointment Committee scheduled for 2011.

***

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 the Board resolution of September 3, 2009.

At 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.

No director takes part in the Remuneration Committee meetings in which Board proposals are put forward relating to his/her 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 executives 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 the remuneration of directors with specific duties remains vested in the Board of Directors, with the opinion of the Board of Statutory Auditors having previously been heard.

The Remuneration Committee is responsible for the duties set out in article 7.C.3 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 key management personnel, 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 stock option plans approved by the relevant Company management bodies.

***

During the year, the Remuneration Committee met on the following dates: January 27, March 11, July 1, September 23 and December 3.

The Remuneration Committee meetings were minuted.

On average, the Remuneration Committee meetings lasted approximately half an hour.

There are 4 Remuneration Committee meetings scheduled for 2011, in addition to the one already held on February 1, 2011.

Over the year, the activities of the Remuneration Committee were mainly focused on the granting of stock options and their exercise in accordance with the plans in existence as well as on the assignment of stock options to senior executives.

The Remuneration Committee also expressed opinions on the following: the allocation of the variable component (MBO) of salaries for 2010; the awarding of bonuses in accordance with the Company incentive scheme and the criteria for rewarding key management personnel.

***

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 Shareholder. 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 in their 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 up the total annual fees. The total remuneration to the Board of Directors remains unchanged until the Shareholders pass a resolution to the contrary.

Payments made to the members of the Board in the year are detailed in the notes to the separate financial statements pursuant to article 78 and appendix 3C of the CONSOB Issuers' Regulation.

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 earning results, or increasing the capitalisation of YOOX.

A significant portion of the remuneration of key management personnel 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 incentive plans are provided for executive directors and key management personnel. For more information on stock option plans at December 31, 2010, see the information documents prepared pursuant to article 84-bis of the CONSOB Issuers' Regulation held at the Company headquarters and available in the Corporate Governance section of the Company website, www.yooxgroup.com.

***

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

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

***

Indemnity of directors in case of resignation, dismissal or cessation of the working relationship following a takeover bid (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 takeover bid.

The employment agreement signed on October 8, 2009, by the Company and Federico Marchetti states that, if prior to the approval of the financial statements at December 31, 2011: (i) Federico Marchetti is removed from the Board; (ii) he resigns with just cause; (iii) he has the powers delegated to him revoked or diminished; (iv) a person with similar powers to Federico Marchetti is appointed without his prior written consent; (v) 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 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 takeover bid), 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 documents prepared pursuant to article 84-bis of the CONSOB Issuers' 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 the Board resolution of September 3, 2009, pursuant to article 2.2.3, paragraph 3, letter l) of the Stock Exchange Regulation.

At 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.

***

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 executive in charge of preparing corporate accounting documents and the independent 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 prepare;

(h) it evaluates the proposals made by the independent auditors to obtain the engagement, as well as the work plan prepared for the legally-required audit and the results presented in the audit report and in the management letter;

(i) it monitors the effectiveness of the audit process;

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

(k) 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;

(l) if requested, it expresses a preliminary 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.

***

During the year, the Internal Control Committee met four times, on February 22, 2010, May 5, 2010, July 27, 2010 and November 9, 2010, dealing with the following points:

- examining the work plan and related activities of the Internal Control Manger for 2010, defined under the internal audit plan approved on February 2, 2010 by the Director with responsibility for supervising the internal control functions and approved by the Internal Control Committee on February 22. The Internal Control Manager reported, in the various meetings, on the progress of activities;
- 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, specifically: i) adaptation to the provisions pursuant to Legislative Decree 231/07 on the subject of anti money laundering; ii) adaptation to the principles of segregation of duties and remedial activities; iii) discouraging corporate procedures concerning specific areas explained in more detail for the purposes of Law 231/01;
- discussion of Law 39 of January 27, 2010;

- examination of the activities performed by the Executive 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 ended December 31, 2009 and the half-year information at June 30, 2010, both concluded with positive results;
- evaluation, together with the Executive in charge of preparing corporate accounting documents and the Independent 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 processes relating to the accounting documents produced by the Company;
- discussion and approval of the procedure for transactions with related parties in compliance with the principles set out in Consob Regulation 17211 of March 12, 2010 and successive amendments and communications.

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

The Internal Control Committee meetings were duly minuted.

On average, the Internal Control Committee meetings lasted approximately an hour and a quarter.

At least four Committee meetings are expected to take place in 2011. As well as that already held on March 4, 2011, a further 3 (three) meetings are scheduled, on the following dates: May 4, 2011, July 27, 2011 and November 3, 2011.

The following took part in the Internal Control Committee meeting held on March 4, 2011: the members of the Board of Statutory Auditors, the Executive in charge of preparing corporate accounting documents, the Internal Control Manager, the Supervisory Body pursuant to Legislative Decree 231/01 and the Independent Auditors.

During the meeting on March 4, 2011, the Committee approved the Audit Plan for 2011, took into account the activities performed by the Internal Control Manager and the Executive 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 2011.

***

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, including 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 preset 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 with Law 262/05, Legislative Decree 231/01, internal procedures, the quality system, the Code of Conduct and the Code of Ethics.

***

At the meeting on March 9, 2011, 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 its 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.

***

In connection with and in 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 2011 Audit Plan prepared by the Internal Control Manager. This plan was presented and approved during the meeting held on March 3, 2011 between the Director in Charge and the Internal Control Manager. On March 4, 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.

***

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 Statutory Auditors;
- 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) to check the efficiency, adequacy and functioning of the internal control system;

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

(iii) to 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 the Board of Statutory Auditors;

(iv) to 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, albeit only partial, that are seriously prejudicial thereto;

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

(vi) to carry out further duties that the Board deems appropriate to assign to him/her, 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 activities of the Internal Control Manager mainly involved the adaptation of the Issuer to the regulations (Legislative Decree 231/01 and Law 262/05) required by CONSOB, taking the guidelines for the formalisation of the 2010 Internal Audit plan from the latter.

The main functions performed were:

- the re-examination of the risk factors for the Company defined by the above regulations;
- an in-depth analysis of the shortcomings identified and the identification of the corrective measures to be taken;
- activation of shared initiatives for satisfying the requirements set out in Legislative Decree 231/01 (communication, training for top management and subordinates, definition of standard information flows to the Supervisory Body);
- development of activities for rectifying the shortcomings identified for the purposes of Legislative Decree 231/01 and, in certain aspects, of Law 262/05;
- adaptation of the provisions of Legislative Decree 231/07 on the subject of anti-laundering;
- analysis of conflicts and identification of possible corrective measures relating to the segregation of duties;
- formalisation of the corporate procedures regarding specific areas with greater exposure for the purposes of Legislative Decree 231/01.

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

The specific activities of the Internal Control Manager relating to the financial year are set out in the internal audit plan approved by the director in charge of overseeing internal control on February 2, 2010 and by the Internal Control Committee on February 22, 2010.

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 with Law 262/05, relating to annual information at December 31, 2009, half-year information at June 30, 2010 and related follow-ups;
- activities relating to Legislative Decree 231/01, such as the activation of regular information flows and definition of a reference policy for the management of procedures by departmental area;
- verification activities on the subject of compliance with Legislative Decree 231/01, such as checks relating to aspects on the subject of safety, checks on the subject of relations with the Public Administration, checks on the subject of anti money laundering, and checks on the subject of Investor Relations and on processes in the area of human resources;
- updating the Organisational, Management and Control Model pursuant to Legislative Decree 231/01 and related compliance documents (List of Offences pursuant to Legislative Decree 231/01, Bylaws of the Supervisory Body and Code of Ethics) with reference to new offences introduced by the Decree.

***

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, namely: Reply Consulting S.r.l. – Via Castellanza 11 – Milan, with which Pietro Tagliati also worked in the period preceding the appointment, for the purposes of the activities set out in the Audit Plan, and in particular relating to compliance pursuant to Law 262/05, compliance pursuant to Legislative Decree 231/01 (including the updating of the Organisational, Management and Control Model pursuant to Legislative Decree 231/01 and related compliance documents with reference to the new offences introduced by the Decree) and related audit operations.

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 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 231/01 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) – Consolidated Law on Safety; money-laundering offences (article 25-octies, Legislative Decree 231/07 in implementation of directive 2005/60/EC); offences relating to the violation of intellectual property rights (article 25 novies); computer crimes and illegal processing of data (article 24-bis, Law 48/2008 in Official Gazette 80 of April 4, 2008); market abuse and the abuse of privileged 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 engaged to audit the Company's accounts.

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

11.5 Executive 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 executive 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 to him/her. In addition to the requirements of honesty prescribed for statutory auditors by the laws in force, the executive 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, including in relation to the preparation and control of corporate accounting documents. The executive 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, following the resignation of Paolo Fietta, the Board, with the favourable opinion of the Board of Statutory Auditors, appointed Francesco Guidotti as Executive 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 executive 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

In order to implement 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 transactions with related parties, 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 criterion 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 financial position and results of operations, 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, in companies, company branches, real estate and/or other property, plant and equipment 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 at the date of approval of the Procedure;

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

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

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

Significant transactions with independent parties are exclusively the responsibility of the Board of Directors, which also makes decisions 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 transactions with related parties

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 new procedure for transactions with related parties (the "**Related Parties Procedure**") adopted pursuant to the "Transactions with Related Parties" regulation, issued by Consob through resolution 17221 of March 12, 2010, as successively modified (the "**Regulation**"), implementing article 2391-bis of the Civil Code and articles 113-ter, 114, 115 and 154-ter of the TUF, as well as in compliance with the recommendations in the Code.
The new Related Parties Procedure has replaced the previous procedure adopted on the basis of Criterion 1.C.1. letter f) of the Code. As far as the details of the previous procedure are concerned, see the Report for 2009.

The Issuer also applies the Related Parties Procedure taking into account Consob Communication DEM/10078683, published on September 24, 2010, containing "Instructions and guidelines for the application of the Regulation on transactions with related parties adopted through resolution 17221 of March 12, 2010 and successively modified.

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 transactions with related parties before they are carried out;

- regulates the procedures for carrying out transactions with related parties by the Issuer, including 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 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 transactions with related parties

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 being 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. The Issuer's bylaws governing the appointment of the Board of Statutory Auditors are appropriate to ensure compliance with the provisions introduced by Legislative Decree 27 of January 27, 2010 for the implementation of directive 2007/36/EC relating to the exercising of certain rights of shareholders of listed companies. The amendments for adapting the bylaws to this new regulation were approved by the Board during the meeting on November 10, 2010.

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 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 law disciplines, economic disciplines and those relating to company auditing and organisation. Members of the Board of Statutory Auditors are subject to the limits on the number of management and control positions held, as established by CONSOB regulations.

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

Minority shareholders – who do not form part of significant relationships, even indirectly, pursuant to article 148, paragraph 2 of the TUF, and the related regulations – may appoint one standing auditor, to be appointed as Chairman of the Board, 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.

A list can be presented for the appointment of the members of the Board of Statutory Auditors who, at the time of the presentation of the list, are owners, either on their own or together with other shareholders, of a percentage equal to at least that determined by Consob pursuant to article 147-ter, paragraph 1 of the TUF, and in compliance with the provisions of the Consob Issuers' Regulation. On the subject, it should be noted that, through resolution 17633 of January 26, 2011, Consob determined 2.5% of the share capital as the quota required for the presentation of lists of candidates for the election of the Issuer's control body, with reference to

the year ended at December 31, 2010. The minimum shareholding is determined with regard to the shares registered to the shareholder on the day in which the lists are deposited with the Issuer; the certificates can also be produced after the deposit, as long as it is within the deadline for the publication of these lists.

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

Lists must indicate the names of one or more candidates for the office of standing auditor and one or more candidates for the office of alternate auditor. The candidates' names are ordered progressively in each section (standing auditor section, alternate auditor section), and their number must not be greater than the number of auditors to be elected.

Furthermore, the lists should contain, even if in annexes:

(i) information on the identity of the shareholders who have submitted the lists and the percentages of shareholdings held overall;

(ii) declaration of shareholders other than those that hold, including jointly, a controlling or relative majority shareholding, certifying the absence of relationships pursuant to article 144-quinquies of the CONSOB Issuers' 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 five 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 trustee or nominee. Expressions of support and votes cast in breach of this regulation will not be attributed to any list. A candidate may only be present on one list, and will otherwise 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 greater shareholding at the time the lists are presented, or subordinately, by the greater number of shareholders, shall prevail.

If only one list is presented, the Shareholders 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 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 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 Shareholders in their Ordinary Meeting of October 7, 2009. 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	92	38
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	22
Nicola Bottecchia	Alternate Auditor	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-	X	[n/a]	5
Edmondo Maria Granata	Alternate Auditor	Oct. 7, 2009	Approval of the Financial Statements Dec. 31, 2011	-	X	[n/a]	22

KEY
Position: indicates whether Chairman, standing auditor or alternate auditor.
List: indicates 'M'/'m' according to whether the statutory auditor was elected from the majority or minority list (article 144-decies of the CONSOB Issuers' Regulation).
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 covered at the companies pursuant to Book V, Title V, Chapters V, VI and VII of the Civil Code. For information on other positions held by members of the Board of Statutory Auditors, see the information published by Consob pursuant to article 144-quinquiesdecies of the Consob Issuer's Regulation on the website www.sai.consob.it under the section Corporate Bodies – Information for the public.

The Board of Statutory Auditors met 12 times during the year.

On average, the meetings lasted approximately 2 hours.

In 2011, the Board of Statutory Auditors is expected to meet at least six times, in addition to the meeting already held on January 27, 2011.

***

At its meeting on February 9, 2010, the Board of Statutory Auditors verified that its members met the requirements of independence, also using to this end the criteria contained in the Code regarding directors' independence.

***

The Issuer has not provided for a specific obligation in the event that a statutory auditor, on his/her own behalf or for third parties, has an interest in a certain transaction of the Company, in that it is considered to be an

ethical duty to inform other statutory auditors and the Chairman of the Board of Directors in the event that a statutory auditor has, on his/her own behalf or for third parties, an interest in a certain transaction of the Issuer.

The 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.

***

Legislative Decree 39/2010 (“Implementation of directive 2006/43/EC, relating to audits of annual and consolidated financial statements, which amends directives 78/660/EEC and 83/349/EEC, and which repeals directive 84/253/EEC”) has endowed the Board of Statutory Auditors 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 audit, if applicable, and risk management systems; (iii) legally-required auditing of the annual and consolidated financial statements; (iv) independence of the statutory auditor or the independent auditors, especially as far as the provision of non-auditing services to the company that is the subject of the 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 half-year financial statements, interim reports).

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 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

At a meeting on November 10, 2010, the Board of Directors adapted the bylaws to comply with Legislative Decree 27 of January 27, 2010, through the implementation of directive 2007/36/EC relating to the exercising of certain rights of shareholders of listed companies.

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 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 (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.

Pursuant to article 6 of the bylaws, the Shareholders must meet in an Ordindary Meeting to approve the financial statements within 120 days of the end of the financial year. Extraordinary Shareholders' Meetings are 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 by the same.

Pursuant to article 126-bis of the TUF, shareholders who, including jointly, represent at least one-fortieth of the share capital, may request – except 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 contents.

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 Deputy-Chairman, or, if there is more than one Deputy-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 Deputy-Chairman or all the Deputy-Chairman 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 for their 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 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 provide that the meeting may be held with the attendants in different locations, neighbouring or distant, with audio/video links, provided that the principles of collective decisions, good faith and equality among shareholders are respected.

***

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

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

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

***

At present, the Company does not recognise the need to propose the adoption of specific regulations to govern the work of the Shareholders' Meetings, considering it appropriate that, in principle, shareholders are guaranteed maximum participation and expression in meeting debate.
On the occasion of the Shareholders' Meetings, the Board has reported on the activities carried out and planned and has provided the shareholders with adequate information surrounding the necessary elements so that they can take the necessary decisions with full knowledge of the facts.

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

***

At its meeting of March 9, 2011, in accordance with Criteria 11.C.6 of the Code, the Board did not consider it necessary to propose to the Shareholders 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 Issuers' Regulation for the presentation of lists for the appointment of members to the Board of Directors and Board of Statutory Auditors – articles 14 and 26 of the Issuer's bylaws require a shareholding at least equal to that determined by Consob pursuant to the laws and regulations. In this regard, with resolution 17633 of January 26, 2011, CONSOB set the shareholding required to present candidate lists for the election of the Issuer's management body, with reference to the year ended December 31, 2010, 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 9, 2011
For the Board of Directors

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

DIRECTORS' REPORT

TABLE OF CONTENTS

REFERENCE MARKET 51
INTRODUCTION 51
Multi-brand business line 54
Mono-brand business line 54
REVENUE AND PROFITABILITY 56
Methodology note 56
Accounting policies 56
Reclassified consolidated income statement 58
Analysis of net revenues and operating profit by business line (segment) 60
Consolidated net revenues by geographical area 61
BUSINESS MODEL 62
Commercial planning and procurement 62
Marketing 62
Interface and user experience 65
Digital production 65
Retail management 65
Order processing and customer care 66
Technology 66
INVESTMENTS 68
FINANCIAL POSITION 69
Summary consolidated statement of financial position 69
Debt/Consolidated net financial position 70
Reconciliation of Parent’s equity and profit for the year with the equity and profit for the year pertaining to the Group 71
Information on significant non-EU companies 71
Other information 71
INFORMATION FOR INVESTORS 72
YOOX stock performance in 2010 73
Performance of YOOX stock and FTSE Italy STAR index in 2010 73
Stock analyst coverage 74
Shareholding structure 74
Investor Relations 74
RISK FACTORS 75
INFORMATION CONCERNING MEASURES TO PROTECT PRIVACY 75
PERSONAL DATA PROTECTION CODE 75
TAX MATTERS 76
LEGAL MATTERS 76
HUMAN RESOURCES 77
THE ENVIRONMENT 80
YOOX S.p.A. 82
CORPORATE GOVERNANCE 83
Shareholders 83
Share capital and shareholding structure at December 31, 2010 84
Board of Directors 85
Committees 85
Chairman and Chief Executive Officer 86
Board of Statutory Auditors 86
Executive in charge of preparing corporate accounting documents 86
Independent auditors 87
Internal Audit 87
Internal Control Manager 87
Supervisory Body pursuant to Legislative Decree 231/01 87
EVENTS AFTER THE REPORTING PERIOD 88
OUTLOOK 89
BOARD OF DIRECTORS’ PROPOSED RESOLUTION TO SHAREHOLDERS 89
ANNEXES TO THE DIRECTORS’ REPORT 90

DIRECTORS' REPORT

REFERENCE MARKET

In 2010 the online retail market accelerated following on from the strong growth recorded in 2009.
Forrester Research estimates that the online retail market, excluding the travel, motor vehicle and prescription medicines sectors, recorded net revenues in 2010 of around Euro 81 billion in Western Europe, an increase of more than 18% compared with 2009[1], around USD 176 billion in the United States, a growth of almost 13% compared with 2009[2] and Yen 4,028 billion in Japan, a growth of 16% compared with the previous year[3]. In 2011, Forrester forecasts a growth of 13% for the online retail market in Western Europe and Japan and 12% in the US.
Within the online retail market, the YOOX Group operates in the fashion sector (defined as the collection of clothing, footwear, jewellery and watches markets) which, according to Forrester Research information, represented about 18% of the online retail market in Western Europe in 2010 and 20% in the United States, recording growth rates in 2010 equal to 21% and 17% compared with 2009. Forrester forecasts a CAGR (Compound Annual Growth Rate) for 2010-2015 of around 11% in Western Europe and 9% 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 15% compared with the previous year and with an estimated CAGR for 2010-2015 of about 10%.
The emerging Asian markets, with China being the foremost of these, undoubtedly represent the new great growth frontier for e-commerce and luxury goods markets. According to Forrester Research forecasts, China is the largest market in the world in terms of the number of Internet users and according to the World Luxury Association[4] it has already overtaken the United States, becoming the second country in the world for the consumption of luxury goods, second only to Japan. The YOOX Group is positioned exactly at the point of convergence between these two high-growth sectors.
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 net revenues of around CNY 64 billion in 2010 (equal to around Euro 7 billion), a growth of 57% compared with 2009. Although the market is relatively small compared with the others described above, Forrester forecasts a decidedly higher CAGR for 2010-2015 of around 22%.
The reasons for the strong growth forecasts for the retail online market throughout the world are manyfold; they include the wider selection of products offered on the web, the search for lower prices 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

The year 2010 closed with a significant increase in the Group's revenue, both for the Multi-brand and the Mono-brand business lines, which is also reflected in the results for the year. Its financial resources were partly used to pay for a number of items pertaining to the stock exchange listing operation and the exercising of stock options, and partly to cover the higher tax burden for 2009 and the advance for 2010, and partly for investments to deal with future growth.
7 Online Stores in the Mono-brand business line were opened in 2010: coccinelle.com, giuseppezanottidesign.com, napapijri.com, albertaferretti.com, zeishouse.com and in the fourth quarter maisonmartinmargiela.com and zegna.com, bringing the number of Online Stores opened until the end of 2010 to 23.

[1] Compound annual growth rate.
[2] Calculations based on Forrester Research data – "Online retail forecast, 2010 to 2015 (US), Forrester Research Inc., January 18, 2011".
[3] Calculations based on Forrester Research data – "Online retail forecast, 2010 to 2015 (Asia Pacific), Forrester Research Inc., October 15, 2010".
[4] "China's retail sector update, 2010", Li & Fung Research Centre, China Distribution & Trading, Issue 66, June 2010 based on World Luxury Association (WLA) forecasts.

In the fourth quarter the Group ventured into the Chinese market: with the launch in November of the Emporio Armani Online Store, emporio Armani.cn was launched, the first “Powered by YOOX Group” Online Store in China.
Still in the fourth quarter of 2010, agreements were signed relating to the extension into the Chinese market of two other Online Stores, marni.com launched in March 2011 and bally.com whose launch is planned in the next few months. An agreement was also signed with Adidas A.G. for a Y-3 Online Store, which will be activated mainly in Europe, the US and Japan in the first quarter of 2011, and an agreement to extend the Online Store jilsander.com to include the Jill Sander Navy line, which was launched in January 2011.
At the time of writing, an agreement has also been signed with Brunello Cucinelli S.p.A. for brunellocucinelli.com, which will be launched in the first quarter of 2011, in Europe, the US and Japan, and an agreement has been signed to extend diesel.com to Japan, launched in February 2011.

In the third quarter the second C’N’C line within the Online Store costumenational.com was activated and in February 2010 the agreement binding Giorgio Armani S.p.A. and YOOX S.p.A. for the emporioarmani.com Online Store active in Europe, the US and Japan was extended until January 31, 2015. Under the new agreement, the Armani Jeans brand will be included on emporioarmani.com, and YOOX S.p.A. will become responsible for web marketing activities for and on behalf of Giorgio Armani S.p.A. in all the countries in which the Online Store is active.

The Group plans to continue its present strategy of steady growth on a global scale with the objective of expanding internationally, both by strengthening the markets in which it operates and by seizing new opportunities to expand its geographical reach, especially in China.

With the aim of supporting long-term growth in a market with great potential, although rather complex, the Group has landed in China as a first mover with its own Mono-brand business line, consolidating its position as a retail Internet global partner for the major fashion brands.
The YOOX Group strategy in China consists of extending some of the current partnerships with prestigious fashion and luxury brands to this market, adopting a full price strategy and positioning itself at the top end of the market.
On November 26, 2010, the Emporio Armani Online Store emporioarmani.cn was launched, the first to be “Powered by YOOX Group” in China (it will be followed, on March 1, 2011, by the launch of the Marni Online Store and the launch of the Bally Online Store is expected by the first half of 2011.
The Mono-brand business line will subsequently be joined by the Multi-brand line, initially through the launch of thecorner.com by the end of 2011, and later, to complete the offering, with the launch of yoox.com in 2012.
With the goal of providing their customers with the highest level of service possible, comparable with what is on offer in all countries where they operate, YOOX will be adopting the same winning model in China that is already established in other markets; all strategic activities will be carried out directly and for the remaining activities they will rely on the support of prestigious partners who already have a presence in China.
A Chinese subsidiary wholly owned by YOOX S.p.A. has therefore been set up. It operates through a local office in Shanghai where a dedicated team are involved in buying and merchandising, communication and retail marketing, content management, customer service, web graphics and technology and there is a logistics centre with digital production studios for cataloguing and photographic services.
To guarantee the best buying experience for sophisticated Chinese customers, all the Group’s Online Stores have the best made to measure e-commerce solutions, such as a localised Chinese website, a size conversion system, the possibility of paying in Yuan by C.O.D. or other local payment systems, customer service in Chinese by email and by phone, fast and reliable delivery in 400 towns and the entire country, free returns and luxury packaging.

In existing markets, the strength of the local structures is creating synergies that reflect sustained growth rates, particularly in North America. Investments are also being made in a market which has great potential for development, Russia. Since September 2010, the Group has adopted a localisation strategy aimed at offering its clients a customised service. An entirely Russian version of yoox.com has been produced with ad hoc contents designed to meet the specific requirements of this market, bringing the total number of different languages managed by the Group to nine, including Chinese.

The Group intends to continue the 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 this in mind, YOOX has launched an important project relating to the automation of its techno-logistics platform, which will also involve an increase in operational efficiency levels and a consequent improvement in expected profitability.
The new automated techno-logistics platform, designed ad hoc for the specific requirements of the e-commerce fashion sector within the current Logistics Centre structure in Interporto (Bologna), will be capable of supporting

the Group's forecast growth until 2016 thanks to the considerable increase in the capacity for moving and storing products.
The unique nature of this project, which puts YOOX, once again, 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.
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 the development of this project.
In the fourth quarter of 2010 YOOX invested Euro 3.5 million and it intends to invest around Euro 10.0 in 2011. Further investments, estimated on the basis of the present growth forecast of the Company, will equal Euro 10.0 million in 2012-2016. The majority of the investment will be financed through a medium/long-term dedicated credit line from a leading international banking institution.

Still with the aim of supporting and guiding the strong growth in future years, the Group focused, among other things, on consolidating and constantly updating its technological platforms during the early months of 2010, by defining a roadmap for long-term development, completing a substantial revision of its structure, and adopting a new outsourcing strategy.
This continuous renewal produced several important technical solutions in 2010, including YOOX APIs (Application Programming Interfaces), which made it possible, for example, to develop a proprietary application (YOOX.COM for iPad) in parallel with the US launch of the Apple iPad in April 2010, which confirms YOOX Group's role as "first mover" in the use of "mobile commerce" techniques. Also thanks to the new set of APIs, a version of the yoox.com website for the "Keitai" platform, targeted at the Japanese market, was launched together with an innovative Facebook application which was released to mark the Group's tenth anniversary.
On June 23, 2010, for the first anniversary of the D&G brand online store dolcegabbana.com, a new version of the Online Store was released that optimises all the functions involved in searches, including with iPads.
Still in 2010, a series of steps were also taken that concentrated on infrastructural and connectivity components in order to improve performance as perceived by users, and on operating performance, with noticeable improvements to response times for pages on all the Group's websites, prevalently in distant markets.
With the goal of constantly improving user experience on the Group's online stores, a function called "fast checkout" was released that redesigns the purchase procedure completely by allowing the user to complete his/her order quickly and easily, by saving and then recalling delivery, invoicing and payment data, guaranteeing a significant improvement in user experience right from its release. The "360° photo" function has also been introduced; this allows the 360° rotation of the product, alongside the normal static photos of footwear and accessories, allowing the user to evaluate the product from all angles. A "pre-order" function was also developed in September for the Mono-brand. This allows users to purchase an item seen at a fashion show even before it is physically available at the Group warehouses.

Furthermore, with the aim of maximising the Group's business potential, a series of Customer Relationship Management (CRM) and Campaign Management solutions were released to enable total exploitation of potential interaction with clients. These included the MEA Campaign Management project, a sophisticated system developed in-house, which integrates information coming from the Business Intelligence data structure, such as, for example, order history, website behaviour, etc., with the newsletter mailing system, in order to automate direct marketing actions on the basis of the user profile context.

At the beginning of August 2010, the yoox.com Release 9.0 was launched. It incorporates CRM functions such as the Recommendation Engine (i.e. the possibility of suggesting personalised product selections based on the navigation behaviour of individual users) and the Behavioural Targeting system (i.e. the possibility of showing ad hoc communications according to navigation behaviours of specific clusters). A significant number of new e-commerce functions were also developed in order to improve the presentation of the product (such as, for example, the full-screen zoom), the perception of performance through a functional and technical revision of the navigation and search system and, lastly, the integration of the video contents to give the user an experience where they feel more involved.
On October 10, 2010, the new thecorner.com Release 3.0 was launched, which includes some of the relevant features of yoox.com, such as the improved performance and navigation system, the product presentation (full-screen zoom) and the fast checkout function.
Lastly, in the final quarter several important e-commerce solutions were introduced in order to improve the Mono-brand business line. This allowed the consolidation of the technology platform making the functions available to all the main Online Stores.

Multi-brand business line

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 revenue of the Multi-brand business line;

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

The Group has based its 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 line and thecorner.com.

As an Online Store, yoox.com has been operational since June 2000, and in 2010 has sold and distributed a vast array of fashion and design products in 67 countries. 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, thecorner.com offered men's clothing only; in September 2009 it launched a women's collection.
thecorner.com is a virtual space containing mini-shops dedicated to each brand ("shops-in-shop"), 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 2010, the Multi-brand business line generated a monthly average of about 5.1 million unique visitors[5].

Mono-brand business line

Since 2006 the Group has operated in the Mono-brand business line, which involves the design, setting up and exclusive management of Mono-brand Online Stores for some of the world's leading fashion brands with which it works 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 of managing yoox.com, YOOX 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.

In 2010, the Mono-brand business line generated a monthly average of about 3.6 million unique visitors.

At December 31, 2010, there were 23 operating Online Stores, three of them set up in 2006-2007, seven of them in 2008, six of them in 2009 and seven of them in 2010. Specifically:

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

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

- diesel.com, the Online Store of the Diesel and Diesel Black Gold brand, operational mainly in Europe and the United States 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 US and Japan;

[5] 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 US and Japan;
- valentino.com, the Online Store of the Valentino and Red Valentino brands, operational since April 2008 in the US 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 US;
- costumenational.com, the Online Store of the Costume National and 'C'N'C' Costume National brands, operational since September 2008, mainly in Europe, the US and Japan; this was extended to the 'C'N'C' Costume National brand in September 2010;
- energie.it, the Online Store of the Energie brand, operational since October 2008, mainly in Europe and the US;
- emiliopucci.com, the Online Store of the Emilio Pucci brand, operational since November 2008, mostly in the main European markets, the US and Japan;
- moschino.com, the Online Store of the Moschino, Love Moschino and MoschinoCheapAndChic brands, operational since February 2009 mainly in Europe and the US;
- bally.com, the Online Store of the Bally brand, operational since February 2009, mainly in Europe and the US;
- dolcegabbana.com, the Online Store of the D&G brand, operational since June 2009, mainly in Europe, the US and Japan;
- dsquared2.com, the Online Store of the Dsquared2 brand, operational since September 2009, mainly in Europe, the US and Japan;
- jilsander.com, the Online Store of the Jil Sander and Jil Sander Navy brands, operational since September 2009 mainly in Europe, the US and Japan; the Online Store was extended to include the Jil Sander Navy brand in January 2011;
- robertocavalli.com, the Online Store of the Roberto Cavalli and Just Cavalli brands, operational since November 2009 mainly in Europe, the US and Japan; the Online Store was extended to include the Just Cavalli brand in February 2011;
- coccinelle.com, the Online Store of the Coccinelle brand, operational since February 2010, mainly in Europe, the US and Japan;
- giuseppezanottidesign.com, the Online Store of the Giuseppe Zanotti brand, operational since February 2010, mainly in Europe, the US and Japan;
- napapijri.com, the Online Store of the Napapijri brand, operational since March 2010, mainly in Europe and the US;
- albertaferretti.com, the Online Store of the Alberta Ferretti and Philosophy by Alberta Ferretti brands, active since March 2010 mainly in Europe, the US and Japan;
- zeishouse.com, the Online Store of Zeis Excelsa S.p.A for the sale of Merrell, Cult, Bikkembergs, Docksteps, Harley-Davidson Footwear, Samsonite Footwear, Sebago, Virtus Palestre footwear brands, operational since September 2010 in Europe;
- maisonmarinmargiela.com, the Online Store of the Maison Martin Margiela brand, operational since October 2010, mainly in Europe, the US and Japan;
- zegna.com, the Online Store of the Ermenegildo Zegna and Zegna Sport brands, operational since December 2010 mainly in Europe, the US and Japan.

At December 31, 2010, an agreement was also signed for the launch of the y-3store Online Store, two agreements were signed to extend the marni.com and bally.com Online Stores to the Chinese market, and an agreement was signed to extend the jilsander.com Online Store to include the Jil Sander Navy line.

As highlighted in the events after the reporting period, in the first few months of 2011 the agreement was signed for the brunellocucinelli.com Online Store, marni.com was extended to the Chinese market, the robertocavalli.com Online Store was extended to include the Just Cavalli line, diesel.com was extended to the Japanese market, the jilsander Online Store was extended to include the Jil Sander Navy line.

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

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.

REVENUE AND PROFITABILITY

Methodology note

This Directors' Report contains information relating to the consolidated revenue and profitability of the YOOX Group and Parent YOOX S.p.A. for 2010.
Unless otherwise indicated, all amounts are expressed in thousands of Euro. Comparisons in this report and in the Group consolidated and separate financial statements are made in relation to the previous financial year. For reasons of clarity, it should be noted that variances in percentage terms and variations in the diverse items indicated have been calculated on precise values. The 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 area. Thus, for more precise information on geographical areas, please refer to the information by operating segments, and in general, to information provided in the consolidated financial statements for comments on the main events that occurred in relation to subsidiaries.

Accounting policies

The Annual Report at December 31, 2010 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 measurement criteria used in preparing the Annual Report of the YOOX Group at December 31, 2010 are consistent with those used to draw up the Annual Report at December 31, 2009; they are posted on the website www.yooxgroup.com under the heading "Investor Relations".

The accounting policies used by the Parent and by the Group are consistent with those of the International Financial Reporting Standards endorsed by the European Union and in accordance with Legislative Decree 38/2005 and other CONSOB rules and regulations governing financial statements. These financial statements were prepared on a cost basis (with the exception of derivative financial instruments, held-for-sale financial assets and available-for-sale financial instruments, which are stated at their present value) and on the going concern assumption. Despite the difficult economic and financial situation, the Company believes that there are no significant uncertainties over the ability of the Company to continue as a going concern, also in light of the strength of the Parent's and Group's financial position and results of operations.

Also, in order to provide better information on the Group's revenue and profitability, in the light of the seasonal nature of sales, information referring to the fourth quarter of 2010 is also given.

The income statements for 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 before corporate costs, EBITDA, EBITDA without incentive plans and operating profit. Some of the above interim profitability indicators are not recognised as accounting measures under the IFRS endorsed by the European Union, and their calculation may not be standard. Group management uses these indicators to monitor and measure the Group's performance. Management believes that these indicators

are an important measure of operating performance in that they are not affected by the various criteria used to calculate taxes, the amount and characteristics of invested capital and the related amortisation and depreciation methods. The criterion used by the Group to calculate these indicators might not be consistent with that adopted by other groups or companies, and accordingly, the resulting figures may not be comparable.

Reclassified consolidated income statement

Reclassified consolidated income statement for the fourth quarter of 2010:

Thousand Euro	Q4 10	Q4 09	Change	
Consolidated net revenues	63,534	45,470	18,065	39.7%
Cost of goods sold	(36,222)	(25,050)	(11,172)	44.6%
Gross Profit[6]	**27,312**	**20,419**	**6,893**	**33.8%**
% of consolidated net revenues	43.0%	44.9%		
Fulfilment costs	(6,077)	(4,340)	(1,737)	40.0%
Sales and marketing costs	(6,896)	(4,652)	(2,244)	48.2%
EBITDA Pre Corporate Costs[7]	**14,339**	**11,427**	**2,912**	**25.5%**
% of consolidated net revenues	22.6%	25.1%		
General & administrative expenses	(5,322)	(3,509)	(1,814)	51.7%
Other income and expenses	(96)	(168)	72	-42.9%
EBITDA[8]	**8,920**	**7,750**	**1,171**	**15.1%**
% of consolidated net revenues	14.0%	17.0%		
Depreciation and amortisation	(1,398)	(802)	(596)	74.3%
Non-recurring expenses	-	(3,973)	3,973	-100%
Operating profit	**7,522**	**2,975**	**4,547**	**>100%**
% of consolidated net revenues	11.8%	6.5%		
Financial income	312	76	236	>100%
Financial expenses	(158)	(528)	370	-70.1%
Profit before tax	**7,676**	**2,523**	**5,153**	**>100%**
% of consolidated net revenues	12.1%	5.5%		
Taxes	(2,590)	(1,268)	(1,322)	>100%
Consolidated profit for the period	**5,086**	**1,255**	**3,831**	**>100%**
% of consolidated net revenues	8.0%	2.8%		
EBITDA excluding Incentive Plan Costs[9]	**10,017**	**8,971**	**1,047**	**11.7%**
% of consolidated net revenues	15.8%	19.7%		

Consolidated net revenues, net of returns and customer discounts, increased by 39.7% in the fourth quarter of 2010 versus the same period of the previous year. Profitability, measured in terms of EBITDA (gross operating profit) stood at Euro 8,920 thousand, equal to 14.0% of consolidated net revenues for the period: excluding the effect of the incentive plans, the EBITDA was Euro 10,017 thousand, equal to a profitability of 15.8% of the consolidated turnover.
The consolidated profit for the fourth quarter of 2010 is Euro 5,086 thousand, a significant increase compared with the fourth quarter of 2009 affected by the non-recurring expenses of the listing process.

[6] 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.

[7] 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 corresponds to the segment operating result shown in the notes to the Group Consolidated Financial Statements.

[8] 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.

[9] The EBITDA excluding the Incentive Plans is defined as the EBITDA net of costs relating to the Stock Option Plans and Company Incentive Plans, described in the Group 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 2010:

Thousand Euro	2010	2009	Change	
Consolidated net revenues	214,288	152,217	62,071	40.8%
Cost of goods sold	(129,864)	(91,897)	(37,968)	41.3%
Gross Profit	**84,423**	**60,320**	**24,103**	**40.0%**
% of consolidated net revenues	39.4%	39.6%		
Fulfilment costs	(21,539)	(15,514)	(6,025)	38.8%
Sales and marketing costs	(24,691)	(16,747)	(7,944)	47.4%
EBITDA Pre Corporate Costs	**38,194**	**28,059**	**10,135**	**36.1%**
% of consolidated net revenues	17.8%	18.4%		
General & administrative expenses	(18,945)	(12,105)	(6,840)	56.5%
Other income and expenses	(497)	(958)	460	-48.0%
EBITDA	**18,751**	**14,996**	**3,755**	**25.0%**
% of consolidated net revenues	8.8%	9.9%		
Depreciation and amortisation	(3,744)	(2,183)	(1,561)	71.5%
Non-recurring expenses	-	(3,973)	3,973	-100%
Operating profit	**15,007**	**8,840**	**6,167**	**69.8%**
% of consolidated net revenues	7.0%	5.8%		
Financial income	986	518	469	90.5%
Financial expenses	(1,053)	(1,983)	930	-46.9%
Profit before tax	**14,941**	**7,375**	**7,565**	**>100%**
% of consolidated net revenues	7.0%	4.8%		
Taxes	(5,824)	(3,278)	(2,546)	77.7%
Consolidated profit for the year	**9,117**	**4,098**	**5,019**	**>100%**
% of consolidated net revenues	4.3%	2.7%		
EBITDA excluding Incentive Plan Costs	**22,495**	**16,647**	**5,848**	**35.1%**
% of consolidated net revenues	10.5%	10.9%		

Consolidated net revenues, net of returns and customer discounts, increased by 40.8% in 2010 versus the previous year. Revenue was positively affected by the impact of foreign exchange fluctuations with respect to sales in US dollars, Japanese yen and English pounds. If average exchange rates for the 2009 were applied to consolidated net revenues for the same period in 2010, the Group's revenue growth would be 38.1%.
In the light of an increase in revenue of 40.8%,profitability measured in terms of EBITDA (gross operating profit) went from Euro 14,996 thousand in 2009 to Euro 18,751 thousand in 2010, equal to 8.8% of the consolidated revenue.
The Group's profitability depends on the increased incidence of figurative expenses related to the incentive plans. Net of this effect, the EBITDA excluding the incentive plans was Euro 22,495 thousand, equal to a 10.5% profitability on consolidated revenue compared with 10.9% in 2009.
Profitability was positively affected by increased volumes, an increase of 5.4% in the AOV[10] and, efficiency policies aimed at optimising existing processes that led to a reduction in unit costs. However, in the light of these improvements, the Group incurred increased expenses resulting from its status as a listed company and a series of set-up costs relating to activities in the Chinese market.

The consolidated profit for the year was Euro 9,117 thousand, with a 4.3% profitability on consolidated revenue, an improvement compared with 2009, benefiting from non-recurring listing costs incurred in 2009, the result of the Group's financial management and a lesser tax burden.

[10] Average Order Value or AOV indicates the average value of each purchase order, excluding VAT.

The table below provides several key indicators on the Group's operations for 2009 and 2010.

	2010	2009
Number of Monthly Unique Visitors[11] (millions)	8.6	6.4
Number of orders (thousands)	1,523	1,148
AOV[12] (Euro)	179	170
Number of Active Customers[13] (thousands)	612	478

In 2010, the Group recorded a monthly average of 8.6 million Unique Visitors, a growth of 33.9% compared with 6.4 million in 2009. The number of orders went from 1,148 thousand in 2009 to 1,523 thousand for 2010, an increase of 32.6%. There was significant growth in the average order value, which totalled Euro 179 (excluding VAT) compared to 170 for the previous year.
The number of active customers totalled 612 thousand, rising by 28.2% compared to 478 thousand at December 31, 2009.

Analysis of net revenues and operating profit by business line (segment)

Below is key information by business line with a breakdown of the Group's net revenues and operating profit by business line for 2009 and 2010.

Since the management reporting system used by management to assess corporate performance does not allocate depreciation and amortisation, non-monetary revenue and expenses, general expenses, other non-recurring income and expenses, financial income and expenses and taxes to business lines, these items remain the purview of the Corporate area since they are not related to the specific operating activities of the business lines. Thus, the business line's operating profit coincides with EBITDA Pre Corporate Costs in terms of the entries included and previously reported in this total.

For additional details on disclosure about operating segments at December 31, 2010, with a reconciliation of entries with the Group's income statement, see the Group's consolidated financial statements.

Information by business line at December 31, 2010 is as follows:

	Multi-brand		Mono-brand		Group total	
Thousand Euro	*Dec. 31, 2010*	*Dec. 31, 2009*	*Dec. 31, 2010*	*Dec. 31, 2009*	*Dec. 31, 2010*	*Dec. 31, 2009*
Consolidated net segment revenues	163,657	124,160	50,631	28,057	**214,288**	**152,217**
% of consolidated net Group revenues	76.4%	81.6%	23.6%	18.4%	**100.0%**	**100.0%**
% change	*31.8%*		*80.5%*		***40.8%***	
Segment operating profit	29,135	23,703	9,058	4,356	**38,194**	**28,059**
% of consolidated net segment revenues	17.8%	19.1%	17.9%	15.5%	**17.8%**	**18.4%**
% change	*22.9%*		*108.0%*		***36.1%***	

Multi-brand business line
The Group's multi-brand activities involve the Company's two Online Stores, yoox.com and thecorner.com which recorded a growth in revenue of 31.8% in 2010 compared with 2009. The Multi-brand revenue of 76.4% is still mainly generated by yoox.com, but with thecorner.com making a growing contribution.

The increased revenue from the Multi-brand business line is reflected in the increased operating profit for the segment of 22.9% with a 17.8% margin (even the operating profit for the segment, as shown by the EBITDA, is affected by the increased impact of the figurative expenses related to the Incentive Plans in 2010).

Mono-brand business line
At December 31, 2010 there were 23 Online Stores operational for the Mono-brand business line, compared with 16 at the end of 2009. The growing contribution of Online Stores already activated and the increased impact of the seven Online Stores opened in 2010 has led to an increase of 80.5% in the revenue of the Mono-brand business segment.

[11] Source: HBX January 1, 2009 – March 19, 2009; SiteCatalyst as of March 19, 2009 on yoox.com and Google Analytics on thecorner.com and Online Stores.
[12] Average Order Value or AOV indicates the average value of each purchase order, excluding VAT.
[13] An Active Customer is defined as a customer who placed at least one order during the 12 preceding months.

The performance of this business line was particularly good due both to the boost provided by promotions for Fall/Winter 2009-2010 (end-of-season sales) in the first few months of the year, and following the strong net revenues for Spring/Summer 2010 and the revenues for Fall/Winter 2010-2011, thanks to a significant increase in traffic volume.
Overall in 2010 the Mono-brand business line represented 23.6% of the Group's consolidated net revenues, an increase of 18.4% compared with 2009.

Mono-brand operating profit also rose more than proportionally to net revenues, with the margin rising from 15.5% in 2009 to 17.9% thanks to the higher volumes, the various mix of Online Stores and revenues from the set up and maintenance of Online Stores and web marketing and web design services offered by Yagency.

Consolidated net revenues by geographical area

Below is a breakdown of the Group's consolidated net revenues by geographical area for 2009 and 2010.

Thousand Euro	2010		2009		Change	
Italy	49,240	23.0%	39,766	26.1%	9,475	23.8%
Europe (excluding Italy)	102,989	48.1%	74,407	48.9%	28,582	38.4%
North America	42,199	19.7%	25,735	16.9%	16,464	64.0%
Japan	13,433	6.3%	8,847	5.8%	4,586	51.8%
Other countries	2,250	1.0%	864	0.6%	1,385	160.3%
Not country related	4,177	1.9%	2,597	1.7%	1,580	60.8%
Total YOOX Group	**214,288**	**100.0%**	**152,217**	**100.0%**	**62,071**	**40.8%**

At December 31, 2010 the Group recorded an increase of 40.8% in consolidated net revenues compared with 2009, confirming a balanced revenue growth in the various markets, with international development gaining increased importance. As mentioned previously, the increased revenue was only partially impacted by the weakening of the Euro compared to other currencies: by applying the average exchange rates of the previous fiscal year, growth would be around 38.1%.

The European market represents 71.1% of the Group's revenue in 2010 with Euro 152,229 thousand, an increase of 33.3% compared with 2009. The first country in terms of revenue is the domestic market, Italy, with revenue of Euro 49,240 thousand, an increase of 23.8% over the previous year with the rest of Europe recording an increase of 38.4%. The main countries other than Italy contributing to the Group's revenue in Europe in 2010 were France, Germany and England, all with improved figures compared with 2009. Penetration in other European countries is continuing, with excellent growth, including Russia thanks to the localisation strategy implemented in this market in the third quarter of 2010.

The performance in North America was positive compared with 2009, with a growth of 64.0% (by applying the average exchange rate for the same period in the previous year, growth would be 55.9%), with balanced growth in both the Mono-brand and Multi-brand.

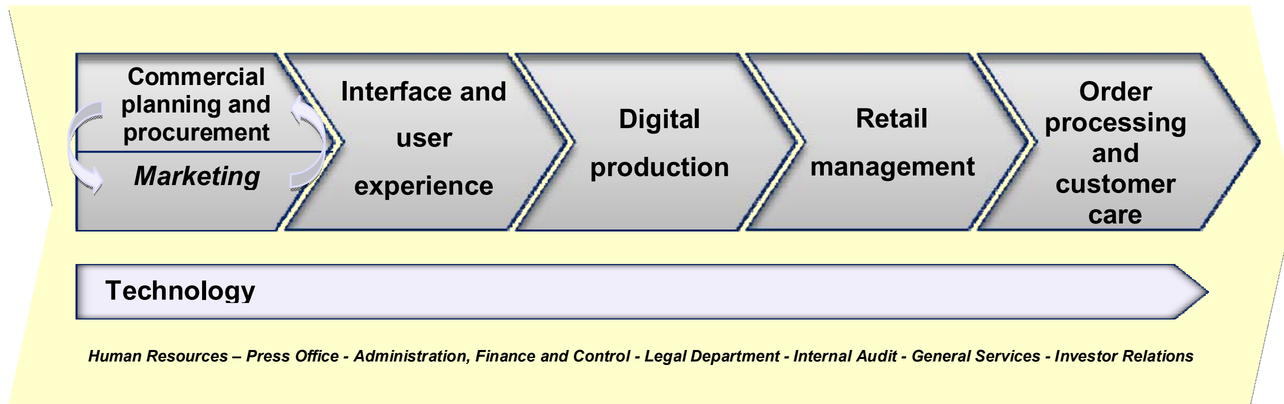
The Japanese market recorded growth of 51.8% compared with 2009 (by applying the average exchange rate for the previous year, growth would be 35.4%).

Growth in other countries also continued, with the Chinese market being added at the end of November 2010 through the Mono-brand business line.

"Not country related" includes payments for setting up and maintaining the Online Stores, revenue generated from the sale of media partnership projects, and revenue from web marketing and web design services offered to strategic partners and other services offered by Yagency.

BUSINESS MODEL

Below is a brief description of the main operations in 2010 broken down by phases of the business model (value chain).



Commercial planning and procurement

In the first half of 2010 the focus of procurement was the Fall/Winter 2010-2011 season collection, with a preview launch on yoox.com that started in June 2010. The Spring/Summer 2011 season collection started with a preview launch on yoox.com in the fourth quarter of 2010. The geographical development and growing procurement autonomy of the American subsidiary as well as a greater focus on some categories, such as design, was confirmed for both purchasing campaigns through procurement via the European market's retail channel. The second purchasing campaign showed greater emphasis on fashion for babies and accessories for pets.
Due in part to the introduction of the women's wear line in September 2009, the Fall/Winter 2010-2011 season procurement campaign, that took place mainly in the first quarter of the year, and the Spring/Summer 2011 season purchasing campaign, that took place mainly in the third quarter, thecorner.com also enhanced its range with additional prestigious brands. It further diversified procurement and reduced inventory risk through several supply arrangements that involved no risk for the Company (consignment agreements).

In the Mono-brand business line, the Company continued in 2010 to support individual Strategic Partners with the aim of determining the optimal range by product and price categories.
The further development of the business line, featuring consignment agreements, produced positive results for the management of the working capital and represents a further privileged procurement channel for yoox.com for products not sold at the end of the season. The Strategic Partners have the option of handing over their unsold products to YOOX to be sold on yoox.com.

Marketing

During 2010, the marketing area's activities followed two main policies, the acquisition of new customers and increasing brand awareness.
In order to acquire new customers, activities were pursued in the major performance areas, in particular "Search Engine Marketing" activities (SEM – acquisition of sponsored links on the main search engines) and the management of the membership networks and price comparison websites.
Activities were also pursued regarding the purchase of online advertising space on websites devoted to fashion and online versions of the main international daily papers, 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.

These activities were carried out primarily for the Group's Multi-brand stores (yoox.com and thecorner.com), but with a constant commitment to the agency activities carried out for the Mono-brand stores. In 2010, the Group designed and promoted web campaigns that allowed the Multi-brand business line to reach about 40 thousand sites in more than 50 countries.
In the management of the web marketing investment on behalf of Strategic Partners of the Mono-brand business line, the Group is offering support and consulting services 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 structure increased the number of media partnership projects on yoox.com. These projects consist of the creation of product areas customised by fashion brand, design, beauty and lifestyle on yoox.com, promoted through the YOOX Group communication channels (yoox.com, the newyooxer.com, newsletters, partner magazine shopping sections, social network channels). In 2010 more than 20 media partnership projects were set up with the same number of Italian and international brands.

The Press Office followed the promotion of special projects on yoox.com and thecorner.com and also participated in the communication activities of the Online Stores in close collaboration with the Press Offices of the respective brands.

With regard to yoox.com, the initiatives that received the most attention in the press in 2010 were the following:

- “Ten years ten looks for yoox.com 2000 ten”, the limited edition collection designed exclusively for yoox.com by Spanish designer David Delfin: an initiative intended in particular to create visibility in the Spanish market, launched in February;
- in partnership with Rolling Stone Italia, the vintage CLUBLAND project, online since the end of March, a selection of unique vintage garments inspired by the club scene in the coolest venues of the 70s, 80s and 90s, and exclusive content;
- exclusively for the environmental initiative YOOXYGEN, a new collection for the ever.green series: the limited edition t-shirt collection for men and women designed by US model Summer Rayne Oakes and produced by EDUN LIVE;
- on April 3, along with the launch of the iPad in the US, yoox.com launched its “YOOX.COM for iPad” application, which enables customers to experience online shopping with one of the most innovative web browsing devices on the market;
- during the Milan Furniture Show, yoox.com announced its partnership with Established & Sons. A selection from its collection was presented through an interactive 3D performance created by yoox.com and made available directly online;
- on April 22, yoox.com presented several new YOOXYGEN initiatives including the YOOXYGEN by CIGNO Bike and SAVE THE SEA by KATHARINE HAMNETT BEACH for YOOXYGEN, a limited edition capsule collection called SAVE THE SEA, designed by Katharine Hamnett and available exclusively on yoox.com;
- for the 10th birthday of yoox.com, in June 2010, the Group’s first Facebook application was issued, designed and managed internally. The YOOX TOP 10 application, during the 10-day game, allowed users on Facebook to create a personal style and have their friends vote for it. The application allowed customers to select all the products on yoox.com, mixing and matching to express their own style and creativity. The products could be personalised by adding details, accessories, variants, backgrounds and colours and customers could share their style with other users. The 10 user styles that received the most votes were presented to the editorial staff of i-D Magazine, which picked one of the styles to create a look to be published in a 6-page editorial in i-D Magazine. The magazine also interviewed the person who created the top-rated style, which was then published in the September issue of i-D Magazine;
- among the initiatives tied to its 10th birthday, yoox.com has announced its partnership with Anna Dello Russo, who designed 10 T-SHIRTS for the occasion, which sold out in just a few hours;
- ESTETHICA: during London Fashion Week in September, yoox.com, in conjunction with the British Fashion Council, launched an exclusive online retail space as the official retail partner of the Estethica ethical fashion initiative. YOOXYGEN launched a selection of the Fall/Winter 2010-2011 season collections of the Estethica designers including From Somewhere, Goodone, Henrietta Ludgate, MAXJENNY, Nina Dolcetti, Sonya Kashmiri and Environmental Justice Foundation (EJF);
- WHOS’ ON NEXT?: for the third year running, yoox.com reaffirmed its collaboration and support for the competition devised and made possible by Altaroma in cooperation with Vogue Italia, Who is on Next?, as online retail & media partners. Online at yoox.com a selection of the Spring/Summer 2011 season collection of Jerome C. Rousseau was presented directly on video as an innovative shopping experience;
- FASHION & DESIGN 2.0: during the Milan Fashion Week in September, yoox.com was present at the Fashion & Design 2.0 event, a show promoted by the Municipality of Milan and the Mondadori Group with Grazia and Interni, at the Galleria Vittorio Emanuele with an installation created by Alberto Biagetti dedicated to the YOOXCover project;
- as part of the Christmas campaign, this year called PLAYLAND XMAS, and for the launch of the new PETS section of yoox.com dedicated to our four-legged friends, the Dsquared² Dog collection was launched in conjunction with Dsquared². An important event also took place in Los Angeles to mark the

occasion, with a host of international celebrities taking part in the launch of the project with a Facebook application too;
- several special new initiatives were also launched in October and November in the yoox.com design area: Kartell's Mademoiselle chair reinterpreted by Moschino available exclusively in the official Kartell online shop-in-shop; Xmas Craft, a project born in conjunction with the Interiors, Design & Living magazine *Case da Abitare*; Zanotta Cuculia, the historic design company created a limited edition reproduction of the historical "Cuculia" collection exclusively for yoox.com;
- at the beginning of December the new Anna dello Russo fragrance was launched exclusively on yoox.com. A Facebook application was also created for the occasion;
- yoox.com worked with Albertina Marzotto, a glamour icon of Milanese style, in the vintage area, which led to a selection of her favourite vintage collectibles appearing on yoox.com, a selection of 200 unique items, selected from a vast stunning personal collection.

The Press Office continued its promotional activities for thecorner.com, with the launch of new collaborative efforts and special projects including:

- in January and June 2010, thecorner.com worked with PITTI IMMAGINE as a web media partner, presenting exclusive online content related to the main events of the show, including video interviews;
- from February to March 2010, communication activity was focused on the opening of new corners: Antonio Marras, Giuliano Fujiwara, Kitsunè, Ohne Titel and, in April 2010, Missoni and Phillip Lim;
- on March 10, 2010, Neil Barrett created a T-shirt for thecorner.com as a free gift for customers;
- in May 2010, thecorner.com presented the "Styling Around the World" project online in partnership with the English publication i-D Magazine, which organised an exclusive shoot and video with a selection of garments from thecorner.com;
- at the beginning of September 2010, thecorner.com announced the opening of the new Z Zegna mini-store marking its online debut;
- midway through September 2010, thecorner.com, as an official retail partner of the British Fashion Council, created the first exclusive online retail space devoted to a selection of emerging English designers who were part of the BFC project, LONDON show ROOMS: Mark Fast (Faster), Mary Katrantzou, Todd Lynn, Michael Lewis London and Christopher Raeburn;
- at the beginning of October 2010, the Maria Luisa multi-brand mini-store was launched on thecorner.com; Maria Luisa is the founder and owner of one of the best-known Parisian boutiques;
- on October 10, 2010, thecorner.com launched the second edition of the fashion film series, an exclusive chronophotographic video project, created by the designer Hedi Slimane, called "I LOVE USA";
- on November 1, 2010, thecorner.com took part in Vogue.com's Fashion's Night in support of KidsCo, with an exclusive tote bag created by Giles Deacon free to customers;
- at the beginning of November 2010, the Golden Goose Deluxe Brand created a capsule collection for thecorner.com: personalised, exclusive t-shirts, shoes and scarves;
- at the end of November, as part of the Christmas campaign, thecorner.com launched the exclusive, limited-edition, numbered Trussardi 1911 RED CAMO collection, designed by the Creative Director Milan Vukmirovic.

In 2010, the YOOX Group also conducted communication activities in support of the launch of the new edition of the E-Fashion Master programme conceived by the Group together with the Istituto Marangoni.

As seen from the important events after the reporting period, on February 23, 2011, at Palazzo Morando (Milan), Vogue Italia and thecorner.com presented "The Vogue Talents Corner", an innovative scouting project aiming to showcase emerging creative talents on the international fashion scene through e-commerce. The event featured a show by 14 young designers selected by Vogue Italia, Vogue US, Vogue China, Vogue Paris and Vogue UK. Their clothes and accessories for the Spring/Summer 2011 collection are available for purchase at thecorner.com in an area dedicated to the project.

In close cooperation with the Press Offices of the respective brands, YOOX took part in communication activities for the Online Stores launched in 2010, as well as specific initiatives and special projects for Online Stores already operating.
Specifically, at the end of November, the Emporio Armani Online Store, emporioarmani.cn, was launched in China, the first to be "Powered by YOOX Group" in China, with intensive worldwide communication activities.
On December 1, 2010, the Group officially announced its landing in China with a press conference in Beijing, in which very many of the Chinese and international media took part with excellent coverage in the local and international press.

Press coverage of the YOOX Group in 2010 included key industry magazines and publications such as The Wall Street Journal (USA), The New York Times (USA), WWD (USA), The Economist (UK), The Daily

Telegraph (UK), El Pais (Spain), Hercules (Spain), Fantastic Man (Holland), Le Figaro (France), Grazia (France), Corriere della Sera (Italy), Marie Claire (Italy), Panorama (Italy), International Herald Tribune (UK), Case da Abitare (Italy).

Interface and user experience

The phase related to the interface and user experience, which is managed by Interactive Services, is responsible for developing and managing, for all the Group's Online Stores, the elements that have an impact on customers' digital experience, meaning the design and optimisation of interfaces and the logical structure of Online Stores, their development and layout.

In 2010, the main activities concentrated on were the opening of seven new Mono-brand Online Stores, the extension to a new line for an operating Online Store, the release of the institutional website for two Strategic Partners, the first launch of an Online Store in the Chinese market (with localised operations and website) and releases and new platform features, for both Mono-brand and Multi-brand.
Also, with a view to constantly improving user experience on the Group's websites, the pre-order and 360° photo functions were released, plus a new promotional engine that makes it possible to create personalised purchasing conditions based on parameters such as type of user, their place of origin, purchasing behaviour and site navigation.

The process of internalising creative activities continued through the creation of an Interactive Design team that handles the design and development of the Group's graphic and video materials.

Digital production

In 2010, the cataloguing of the items for the Spring/Summer 2010 season was completed, the entire collection for the Fall/Winter 2010-2011 season was manufactured and work began on the Spring/Summer 2011 season which, due the business model, concentrates procurement in the second half of the year.

Given the continuous increase in volumes, production capacity has been increased with the fitting out of a further four photographic studios at the Bologna Logistics Centre and the creation of two new automatic photographic machines, one for 360° photographs and one for photographs on mannequins, designed by YOOX. Some catalogue quality-control processes were also reviewed and they will be expanded and operational in 2011.

From a geographical point of view, 2010 was the year of entry into the Chinese market, which took place by reutilising the business model that the Group has successfully developed in the rest of the world, by means of a logistics and digital production base for cataloguing activities and carrying out photo shoots in Shanghai, together with partnerships with major local transport companies and contact centres.

Retail management

Information on the user base was gathered and processed (by business line, type of Online Store, geographic market, etc.) in order to extract key information on customer preferences to determine what measures would improve the propensity to purchase.

Retail management of the Multi-brand business line provided for the definition and management of the business plan, sales prices, visual merchandising and customer relationship management (CRM), by mailing approximately 131 million newsletters translated into the languages managed by the Group to subscribed users.
Starting in September 2010, the Group localised the Russian market, a market with considerable development potential for yoox.com, adopting a strategy aimed at offering their customers an extremely high-quality service: yoox.com is fully available in Russian with an ad-hoc content to meet the specific needs of this market.
In 2010 the collections were presented and communicated to end customers on the basis of seasonal trends and the new items regularly introduced to the respective ranges of yoox.com and thecorner.com.

In close collaboration with Strategic Partners, Mono-brand retail management established the business plan at the beginning of the season for individual Online Stores by scheduling product promotions, and determining the timing for applying promotional policies and discounts by product and market. Also in collaboration with Strategic Partners, it determined the content of direct marketing campaigns and newsletters.

With the localisation of the Russian market and the launch on the Chinese market, the Emporio Armani Online Store was completely localised in Chinese, bringing the total number of languages managed by the Group to nine.

Order processing and customer care

In 2010 approximately 1,523 thousand customer orders were placed, an increase of about 32.6% over the previous year, and equal to one order processed every 21 seconds[14]. In 2010, the statistics for all deliveries show that around 99% of orders were received in the specified delivery time, based on customers' choices.

In 2010, the fraud control process was strengthened and improved, working on both credit card transactions and other payment systems and potentially fraudulent behaviour. The tools currently available are considered to be in the forefront in the management of online fraud in the e-fashion industry, including the implementation of device fingerprinting. The optimisation of the process is continuing with an assessment of the development of algorithms to determine the degree of risk, plus the introduction of new tools that give increasingly precise information about orders made on our websites.

Customer service continues to pursue the aim of maximising the efficiency of the processes that have an impact on final customers, through the automation and reduction of manual activities and interaction between customers and our information systems (self-service mode). A development plan has also been devised, that will start to be applied in the coming months, involving the communication channels between customers and customer service, aimed at improving effectiveness and the interaction between customers and the company, with anticipated benefits both in terms of improvement of the processes and in terms of containing costs.

With the goal of satisfying the expectations of sophisticated Chinese customers and guaranteeing the best online shopping experience, as of the end of 2010, the Group has been offering made-to-measure e-commerce solutions where every single detail has been designed to be impeccable and sophisticated, through:

- fast and reliable delivery in 400 towns courtesy of FedEx and in the rest of China through Express Mail Service;
- free returns (with an exclusive additional service: the courier waits whilst the customer can try on their purchases);
- localised website in Chinese;
- conversion of sizes;
- currency in Yuan;
- customer service in Chinese via email and by phone;
- secure payments by COD and through various local payment systems;
- anti-fraud microchip seal, created using the most recent Rfid monitoring technology to guarantee the authenticity of every product;
- luxury packaging.

Lastly, in 2010, the Group set up the necessary logistic bases for the management of increasing volumes in future years. Following a selection process a new logistics operator was chosen – BSL Geodis, a company which is part of the SNCF Group – which began working at the Interporto warehouse in January 2011. An automatic system for the storage and collection of items ordered by customers has been designed in partnership with this operator. This system is capable of supporting the Group's forecast growth until 2016, thanks to the considerable increase in the capacity for moving and storing products.

Technology

Technology underwent a major restructuring in the opening months of 2010. This change was mainly aimed at improving the focus on products (meaning e-commerce solutions) and increasing the scalability of productivity, identifying a specific area of platform engineering and, lastly, improving efficiency through greater operating independence of the work teams. This reorganisation is linked to a new-look outsourcing strategy designed to improve efficiency and productivity in support of growing business requests. The basis of this strategy is, on the one hand, to identify a group of partners based on skill and, on the other hand, to pay close internal attention to the standardisation of software solutions, production engineering and aspects of integration. This new organisational structure has quickly demonstrated advantages both in terms of greater productivity and in terms

[14] Calculated by dividing the total number of seconds in 2010 by the number of orders processed at Group level over the same period of time.

of the considerable improvements recorded in the quality of solutions adopted from the very first months of it being formalised.

A plan for developing the performance of the websites to improve the response times of the pages for Internet users was implemented, starting with infrastructure components and connectivity. At the same time consolidation of management tools enabled an improvement in in-house productivity. In particular, the services of Dynamic Site Acceleration were introduced, there was a move to a 64-bit architecture, SSL & Compression offload, a new online catalogue generation process was introduced, as well as the introduction of a new banner management tool.

In the first quarter of 2010, a renewed version of the purchasing process, known as fast checkout, came into operation for yoox.com, through a radical improvement of the existing checkout and the introduction of new functions supporting and simplifying payment operations and filling in shipping details on yoox.com. It will be extended to thecorner.com from October. New pre-ordering functions and the 360° photo options were also introduced.

A series of CRM and Campaign Management solutions were announced to allow the full potential of interaction with customers to be exploited. These included the MEA Campaign Management project, a sophisticated system developed in-house, which integrates information coming from the Business Intelligence data structure, such as, for example, order history, website behaviour, etc., with the newsletter mailing system, in order to automate direct marketing actions on the basis of the user profile context. A series of other tools has also been included, making it possible to display different communications on the Group websites according to user specifications, automatically recommend specific products to users according to their specifications and their website navigation history and to interact in the most up-to-date and direct way with specific users, selected according to their purchasing history. These functions have been incorporated into the new release of the yoox.com website, launched at the beginning of August 2010, being gradually introduced later on into the other Group websites.
A large number of new e-commerce functions have been developed for the new 9.0 release of yoox.com. Their aim is to improve the presentation of the product, facilitate integration with the functions connected to video content and, at the same time, improve performance as perceived by the final user through a revision of the technical navigation system (Ajax).
The new release has been delivered in a/b testing mode, a test method through which a basic version of the site (the current version) is compared in real time with the new version, which is made available to an increasing number of visitors in order to test the improvements of the new features included in the new release and in order to reduce the risks connected with an immediate, full release.
The new 3.0 release of thecorner.com was launched on October 10, 2010; it introduces the important functions inherited from yoox.com, such as the improvement of performance and the navigation system, the presentation of the product (full-screen zoom) and the fast checkout.

Furthermore, in the last quarter the highly strategic integration of the Group’s e-commerce solutions in the Chinese market was completed, adapting the technical features of the localised e-commerce to meet the requirements of the country. The solution put in place makes it possible to integrate the local warehouse, provide web services directly from servers located in China and adapt the payment processes and payment services to meet local requirements.

A development project, known as YOOX APIs (Application Programming Interface) was activated in order to make it possible to take better advantage of the basic e-commerce functions supplied by the Group platform. This project allows external software to carry out standard product search, selection and purchasing operations directly. The project, conceived originally to accelerate the extension of e-commerce functions to the mobile channel, has allowed the improvement of several developments. Starting in the second quarter, once the first set of APIs for yoox.com were available, projects were launched such as the first native iPad App for buying on yoox.com, a very interesting social project for integration between yoox.com and Facebook through a dedicated Facebook application on the occasion of the tenth birthday of YOOX and, lastly, a complex launch project for yoox.com on the Japanese mobile platform “Keitai”.

Lastly, in the final quarter several important e-commerce solutions were introduced in order to improve the Mono-brand business line. This allowed the consolidation of the technology platform making the functions available to all the main Online Stores.

Staff areas (Human Resources, Press Office, Administration, Finance and Control, Law Department, Internal Audit, General Services and Investor Relations) contributed to the Group’s growth by supporting the business with the appropriate operating tools.
Refer to the dedicated sections for further details of certain Staff areas.

For anything not specified for the Administration, Finance and Control Area, it should be pointed out that on May 11, 2010, Paolo Fietta resigned from the post of Chief Financial Officer and Director in Charge with effect from June 30, 2010. On July 1, 2010, the Board of Directors appointed Francesco Guidotti as the new Chief Financial Officer and Director in Charge.

INVESTMENTS

In 2010, the Group made investments totalling Euro 12,340 thousand: Euro 6,065 thousand in intangible assets and Euro 6,275 thousand in capital expenditure.

Increases in intangible assets were mainly for investments in multi-year development projects valued at Euro 5,018 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. 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.
In line with the strategy defined at the end of 2009, 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.
Other investments in intangible assets refer mainly to software, licences and other Group intangible assets.

Capital expenditure is linked to initial investments in the highly automated techno-logistics platform, made in the fourth quarter of 2010, amounting to Euro 3,522 thousand and investments in technological infrastructures, the replacement or completion of office furnishings, investment in new photographic studios and new automatic photography machines at the Interporto Logistics Centre and investments relating to the application of Legislative Decree 81/2008, also at the Logistics Centre. There is a strong increase in financial investments through finance leases .

FINANCIAL POSITION

Summary 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, 2010 and the Group's consolidated statement of cash flows for the same year.

Reclassified consolidated statement of financial position as at December 31, 2010:

Thousand Euro	December 31, 2010	December 31, 2009	% Change
Net Working Capital[15]	24,781	9,768	>100%
Non-Current Assets	21,487	10,883	97.4%
Non-Current Liabilities (excluding financial liabilities)	(397)	(572)	-30.5%
Net Invested Capital[16]	**45,871**	**20,079**	**>100%**
Equity	68,697	54,077	27.0%
Net Debt / Net Financial Position[17]	(22,826)	(33,997)	-32.9%
Total Sources of Financing	**45,871**	**20,079**	**>100%**

Reclassified consolidated statement of cash flows for 2010:

Thousand Euro	2010	2009	% Change
Cash flow generated by (used in) operating activities	(494)	18,421	>100%
Cash flow generated by (used in) investing activities	(11,537)	(2,064)	>100%
Sub-Total	**(12,032)**	**16,357**	**>100%**
Cash flow generated by (used in) financing activities	1,212	9,688	-87.5%
Total cash flow generated during the year	**(10,820)**	**26,045**	**>100%**

Net working capital went from Euro 9,768 thousand at December 31, 2009 to Euro 24,781 thousand at December 31, 2010. This change is chiefly linked to the physiological increase of inventories (equal to Euro 29,257 thousand) needed to deal with the future growth in the Multi-brand business line linked to the arrival of the 2011 Spring/Summer collection at the Group's central logistics centre earlier than in 2009. The increase in inventories is partly compensated for by the increase in trade payables of Euro 21,689 thanks to both the extension of payment terms with suppliers for the purchasing campaign in process, and the related increase in sales in the Mono-brand business line, which is paid for after the sale.

The increase in net working capital is reflected in the net financial position which was Euro 22,826 thousand at the end of the year, a decrease compared with December 31, 2009.

The statement of cash flowshighlights that the use of cash is chiefly due to investment activities (Euro 11,537 thousand) and only marginally to operating activities (Euro 494 thousand).
Financial resources used in investment activities were mainly used for investments in technology and for investments linked to the new highly automatic techno-logistics platform in the process of being implemented. The cash flow used in operating activities was strongly affected in 2010 by the payment of taxes relating to 2009

[15] Net working capital is current assets, net of current liabilities, with the exception of cash and cash equivalents, bank loans and other financial liabilities 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 other financial liabilities 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 on the items that make up net debt (or net financial position), see the table below in the section "Debt/Consolidated net financial position".

and advance payments for 2010 by the Parent, amounting to Euro 6,009 thousand, taxes not paid in 2009. The cash flow was also affected by extraordinary events such as the payment of trade payables (Euro 3,531 thousand) and tax liabilities (Euro 3,645) relating to the listing operation and the exercising of stock options at year end.
The cash flow generated by financing activities equal to Euro 1,212 thousand includes the increases in share capital and share premium reserve relating to the exercising of stock options amounting to Euro 1,795 thousand net of outlay for the purchase of treasury shares (Euro 362 thousand).

Debt/Consolidated net financial position

The table below gives details of the YOOX Group's net financial position at December 31, 2010.

Thousand Euro	December 31, 2010	December 31, 2009	% Change
Cash and cash equivalents	24,188	35,007	-30.9%
Other current financial assets	5,111	16	>100%
Bank loans and other current financial liabilities	(5,600)	(313)	>100%
Other current financial liabilities	(26)	(20)	28.1%
Current net financial position	**23,672**	**34,690**	**-31.8%**
Medium-long term financial liabilities	(846)	(693)	22.1%
Consolidated net financial position	**22,826**	**33,997**	**-32.9%**

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 24,188 thousand 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. Other current financial assets, equal to Euro 5,111 thousand, mainly consist of investments in Repurchase Agreements with a low risk profile and short term (less than twelve months) agreed with major national Credit Institutions with a high credit rating.

At December 31, 2010, financial liabilities to banks and other financial institutions stood at Euro 6,446. Current financial liabilities stood at Euro 5,600 thousand and consisted mainly of the use of Pool credit lines of Euro 5,030 thousand. The remaining financial liabilities refer to finance leases with BNP Paribas Lease Group totalling Euro 1,029 thousand (of which Euro 416 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 386 thousand (of which Euro 154 is current).

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 2009 and 2010.

	December 31, 2010		December 31, 2009	
Thousand Euro	Profit	Equity	Profit	Equity
Parent's figures	**6,059**	**63,861**	**2,753**	**52,640**
Consolidation adjustments				
Difference between carrying amount and proportional share of equity of subsidiaries and associates	3,066	5,091	1,283	1,687
Elimination of intra-group profits	(15)	(466)	(140)	(452)
Tax impact on unrealised intra-group profits	7	211	202	202
Total consolidation adjustments	**3,058**	**4,836**	**1,345**	**1,437**
Equity and profit pertaining to the Group	**9,117**	**69,697**	**4,098**	**54,077**

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 four significant companies established and governed by laws of countries not belonging to the European Union ("Significant Non-EU Companies"), it has planned and taken the measures necessary to ensure full compliance with these regulations.
In particular, it should be noted that:

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

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

Other information

The Parent owns treasury shares, aimed at creating the provision of shares necessary for servicing the 2009-2014 Incentive Plan for employees of the Parent and the subsidiaries.
The subsidiaries do not hold YOOX S.p.A. shares. The Parent has no ultimate parent.

Transactions between the Group companies can be summarised as follows:

- the Parent's supply of products to subsidiaries earmarked for sales on the US and Japanese sites;
- 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.

The transactions among the Group companies or between the latter and related parties cannot be defined as either atypical or unusual, as they are part of the Group's ordinary course of business. In general, there were no atypical or unusual transactions. For additional details, see the notes to the financial statements at December 31, 2010.
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 notes to the financial statements at December 31, 2010.

For trade transactions between Group companies and parties included among shareholders and/or directors, see the notes to financial statements at December 31, 2010.

For the financial statements impact of the Group transactions with related parties, see the notes to the financial statements at December 31, 2010.

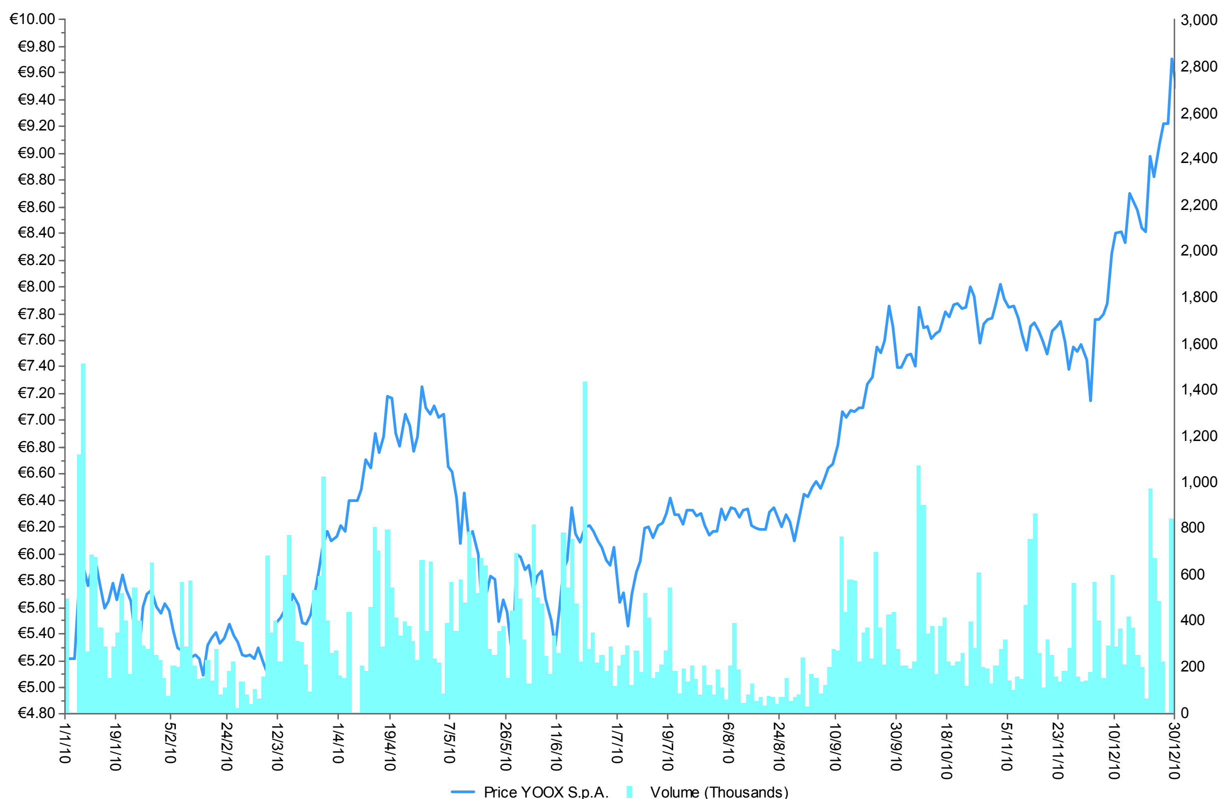
INFORMATION FOR INVESTORS

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. The price of the Public Offering was set at Euro 4.30 per share within a projected range of Euro 3.60 to Euro 4.50 corresponding to a market capitalisation of Euro 216.7 million.

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, 2010, the last day of trading of the year, the YOOX stock closed at Euro 9.60, corresponding to a market capitalisation of Euro 498.0 million.
Between the time of the listing and December 30, 2010, the YOOX share price grew by 123.7% over the flotation price, while in the twelve months to December 30, 2010, the stock grew by 84.3% over its closing price at December 30, 2009 (the last day of trading in 2009).

YOOX stock performance in 2010



Source: Factset

The YOOX stock performance during the reference period was around 81.4% higher than the FTSE Italy Star index, which recorded a gain of 2.9%.

Performance of YOOX stock and FTSE Italy STAR index in 2010

Source: Factset

The table below summarises key stock and stock exchange data for 2010.

Stock and stock exchange data	2010
Closing price at Dec 30, 2010 (Euro)	9.620
Maximum closing price for 2010 in Euro – Dec 27, 2010	9.710
Minimum closing price for 2010 in Euro – Feb 12, 2010	5.095
Market capitalisation at Dec 12, 2010 (Euro million)	497.965

Source: Borsa Italiana.

Stock analyst coverage

In addition to the global coordinators for the IPO, Goldman Sachs International and Mediobanca, the stock analyst coverage of the YOOX stock to March 4, 2011, includes Equita, Intermonte, Gruppo24Ore, Bank of America, Merrill Lynch, Centrobanca, Berenberg, Deutsche Bank and Citigroup, a total of 10 financial analysts, with the last two having launched their coverage in February 2011.

Shareholding structure

At December 31, 2010, the share capital totalled Euro 517,635.56, corresponding to a total of 51,763,556 shares with no nominal amount pursuant to Article 2346 of the Italian Civil Code.
Based on the information in the possession of the Company, in June 2010, Nestor 2000 S.p.r.l., Kiwi I Ventura Serviços S.A. Em Liquidaçao and Kiwi II Ventura Serviços de Consultadoria S.A, venture capital funds and shareholders of the YOOX Group since 2000, transferred their entire equity investment to the share capital of YOOX S.p.A..
At December 31, 2010, shareholders owning more than 2% of ordinary shares, as specified by CONSOB regulations, were as follows:

Shareholders	Dec 31, 2010
Balderton Capital L.P.	11.341%
Red Circle S.r.l.	6.140%
Federated Equity Management Company of Pennsylvania	4.976%
Essegi S.r.l.	4.785%
Jp Morgan Asset Management Limited	4.767%
Federico Marchetti	4.659%
Henderson Global Investors Limited	2.242%
Wasatch Advisors Inc.	2.238%
Aviva Investors Global Services Limited	2.102%
Invesco LTD	2.013%
Pictet Funds S.A.	2.007%

Source: Shareholders' book at December 31, 2010.

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 set 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 line; this is connected with the accurate projection of the quantity and range of products to be marketed;
- risks relating to Legislative Decree 231/01.

In accordance with the requirements of IFRS 7, the notes to financial statements at December 31, 2010 include an analysis of the nature and extent of risks associated with financial instruments to which the Group and the Parent are exposed, as well as the methodologies used to manage such risks. Below is a summary of such financial risks. Please see the notes for further information.

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

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

INFORMATION CONCERNING MEASURES TO PROTECT PRIVACY

In 2010, privacy-related activities focused on the following issues:

- security updates for front-end systems via the following initiatives:
    - introduction of an intrusion detection system at network level;
    - fine tuning of the software implemented in December 2009, in accordance with systems administration control;
    - hardening of front-end systems to provide proper support for credit card number registration pursuant to PCI directives for compliance with main circuit directives;
- Online Store privacy policy assessment and review, which is still not considered fully operational and is expected to be completed in 2011;
- review of the process and support for mailing systems for third parties (commercial mailing on behalf of commercial partners), with the introduction of a process that reduces the risk of disseminating personal information compared with current processes by using encrypted channels;
- evaluation of the activities for improving security in the Mono-brand context for the introduction of the fast checkout function in the future.

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 greater tax burden in absolute terms compared with the situation at December 31, 2009. Current taxes have increased from Euro 4,899 thousand to Euro 7,817 thousand.

The Parent's IRAP tax burden at December 31, 2010 was equal to Euro 1,107 thousand against Euro 761 thousand at December 31, 2009. The Parent's IRES tax burden at December 31, 2010 was equal to Euro 2,941 thousand against Euro 3,079 thousand at December 31, 2009.

Group foreign companies incurred a current tax burden of around Euro 3,769 thousand at December 31, 2010: the current tax burden increased through the effect of a greater taxable profit resulting from increasing operational management for the year ended December 31, 2010 compared with that ended December 31, 2009.

The Group also recognised deferred tax assets totalling Euro 4,945 thousand and deferred tax liabilities of Euro 72 thousand. Deferred tax assets of Euro 2,923 thousand and deferred tax liabilities of Euro 43 thousand that were recognised in 2009 were also reversed.

Moreover, the amount in the income statement does not include the Euro 403 thousand of deferred taxes for the share premium reserve, in compliance with provisions of IAS 32. The deferred tax assets reversed include deferred tax assets directly against the share premium reserve of Euro 537 thousand set aside in 2009.

LEGAL MATTERS

In 2010 the Group signed, among other things:

- seven major e-commerce contracts[18] covering the set-up and management of virtual stores for the sale of clothing and fashion accessories, of which six are already operational, and the seventh will be operational in 2011;
- a contract to extend the term of an already active Online Store and roll it out to new markets;
- three contracts to extend to new markets three already active Online Stores, one of which is already active at the time of writing;
- two line integration contracts for two already active Online Stores, one of which was already active in 2010 and one of which is active at the time of writing.

There are changes at December 31, 2010 compared with December 31, 2009 in litigation defence activities, whilst there are no changes in litigation prosecution activities.

At December 31, 2010, the Company was a defendant in pending legal disputes related to *(i)* one labour lawsuit brought against YOOX by a former manager (currently pending before the Court of Bologna); the second legal dispute pending at the end of 2009 was discharged on December 14, 2010; *(ii)* a lawsuit on the merits brought against YOOX by a Monaco company for alleged violations in the area of unfair competition (currently pending before the Court of Paris). With reference to YOOX's position in relation to the above-mentioned Monaco company, it should be pointed out that the appeal proceedings, instigated by YOOX, against the judgement issued by the Court of Paris in favour of the Monaco company for the urgent proceedings set up by the latter (concluded in 2009) and aimed at annulling this judgement came to an end on June 30, 2010; *(iii)* one lawsuit against YOOX and one against their Strategic Partners by a French company for unfair competition violations (currently pending before the Court of Paris) and *(iv)* a lawsuit against YOOX by a French company for unfair competition violations (currently pending before the Court of Paris).

At December 31, 2010, the Company was a plaintiff in the following pending matters: *(i)* a civil lawsuit brought by YOOX against the former tax representative for Greece (before the competent Greek court) aimed at recovering amounts illegally withheld by the above party; *(ii)* three actions to recover receivables brought by YOOX against counterparties that failed to fulfil their payment obligations; *(iii)* a criminal suit brought by YOOX against one of the defaulting counterparties.

[18] At the time of writing, the agreements signed relating to the launch of Online Stores total eight, because a new agreement was signed after the end of the reporting period.

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 reinforced in 2010, and the guidelines therein, should be considered a well established corporate value.

Headcount

At December 31, 2010, the Group total headcount stood at 372 resources, an additional eighty-five resources compared with 2009, an increase of 30% in percentage terms.
The table below shows a breakdown of the headcount at December 31, 2010 compared with that at December 31, 2009[19].

No.	Dec. 31, 2010	Dec. 31, 2009	Change
Managers	16	14	2
Junior managers	30	19	11
Employees and trainees	300	236	64
Abroad	26	18	8
Total headcount	**372**	**287**	**85**

Around 93% of the headcount is made up of YOOX S.p.A. employees who are based in the three Italian offices, with 7% of them based in offices abroad. The working environment is dynamic, young and competitive with an average age of only 32 at 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, 2010, 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. In an environment with these features, the elements that have always featured in YOOX's approach to work become fundamental.

Company efficiency is also pursued via a working environment that aims to make each employee feel valued and free to fulfil his or her potential. This way of operating communicates an image of a unique, young and dynamic company that is firmly focused on growing the business in the future.

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

Assessment and development of human capital

During the year, a skills assessment system was conceived and developed for integration with the system of financial incentives. Based on this system, each employee is assessed by their manager according to key corporate skills and the technical skills specific to their role.

To support the implementation of the system, training initiatives have been introduced aimed at guaranteeing the standardisation of the assessment criteria and designed to underline the centrality of feedback dialogue between managers and co-workers as a fundamental part of the process for improving performance and professional development.

In 2010, around 200 people were involved in the skills assessment process.

Remuneration policy

In 2010 the remuneration policies aimed to guarantee competitiveness in the work market, in line with the goals of attracting, developing and fostering the loyalty of resources, as well as differentiating the tools with a view to internal consistency on the basis of shared criteria.
The remuneration systems were aimed at appreciating individual contributions in relation to the degree of cover and criticality of the role, the strategic nature of the skills possessed and personal worth, in a differentiated manner and in line with market practices.

The management of the fixed remuneration component was based on increasingly selective criteria for the pool of resources involved, in line with the Group's strategic policies.

The variable remuneration component has increasingly become a distinctive element, linking the remuneration package to both performance and corporate profitability, through the following plans:

- *MBO (Management by Objectives),* through which to create involvement and motivation for achieving individual goals and performance;
- Stock options, through which to provide incentives for top management to achieve corporate results, linking each allocation to the attainment of corporate profitability targets;
- Retention, by granting shares to identified key resources, giving them an incentive to remain within the Group, as well as maintaining a competitive situation in the market for beneficiary remuneration.

In addition, the non-monetary component of the remuneration package was evaluated in 2010 with reference to potential impact in terms of caring for employees (providing mobile equipment with advanced functions) and caring for the environment (extension of the range of motor vehicles with low CO_2 emissions).

Recruitment and selection

Recruitment and selection activities continue to be of vital importance for the Company to ensure levels of growth, with the Recruiting & Talent Management team strongly committed not only to searching for ideal candidates, but also to the effective use of company resources. The opening of the Shanghai company required special attention in the creation and search for new profiles and for this reason a human resources manager was installed on the spot in order to deal more appropriately with the requirements and specific needs of the local market.

Two "Super Saturday" events were organised during the year. This day is designed to allow senior candidates or those with high potential to meet the management in the hope of filling positions that are currently available in the various areas of the Company, or which may become available in the future, which is difficult to do during normal recruitment procedures.

Relations with universities as catchment areas and sources of possible candidates is becoming increasingly important for the YOOX Group. This is the reason why the Recruitment & Talent Management team consolidated partnerships with the main Italian universities and colleges of higher education in 2010, in order to enlist the best students. Attracting the most talented young students is an unparalleled opportunity for choosing the best people before they enter the job market. Numerous lectures have been given at the most important universities. Especially worthy of mention is the partnership with the two most important Italian business schools, SDA Bocconi and MIP, involving students in work projects within the Company.

The most important initiative on this front has been the second edition of the E-fashion Master programme 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. This new edition, which will conclude in 2011, is designed to prepare people who are hard to find in the job market, with high-level skills and specialist knowledge of e-commerce, with an in-depth focus on fashion and special attention to marketing and branding, as well as all the topics relating to online communication and digital creativity special projects. This Master's course also differs from the "in the field" approach courtesy of the numerous classroom-based teaching sessions and lectures by experts and personalities from the world of fashion and the YOOX Group.

The most deserving students have been awarded bursaries by the YOOX Group and by several fashion brands who are partners in the course. At the end of the course they will also have the opportunity of taking up an internship in the company.

Training

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 2010, the Company created various training opportunities, even gaining access to public financing.

The managerial training schemes included courses in public speaking, finance for non-accountants, brand management, fashion communication, management and motivation of human resources.

As far as technical-operational training is concerned, courses were organised in English, Italian for foreigners, office automation, digital production, privacy & data security, digital production, health and safety in the workplace.
Special attention was also paid to the development and provision of modules for induction days, when new employees are welcomed.

In order to improve the planning, management and monitoring of training activities, a project for mapping and filing all training activities in the management system has been launched with a connection to the corporate skills register.

Personnel administration

Given the huge growth in staff numbers, this issue is important to ensure the efficient and timely completion of all procedures relating to establishing new staff and managing existing working relationships.

Amongst the various activities launched during the year was a project for improving the Travel & Expense Management process through the selection and implementation of a specific information tool which allows the entire process to be automated and streamlined: from the organisation of the trip to the recording of the expense claims, from the reconciliation of credit card statements to the creation of reports for analysing travel costs. This system, prototyped and tested during the year, will be released to the user population in 2011.

Personnel rules

Proper HR management requires a set of clear, standardised rules that ensure uniform and fair conduct throughout the Company.

To meet this requirement, the Group has fine-tuned or created new policies, regulations and guidelines for its Italian and foreign offices.

These regulations are in keeping with the corporate style and ethical values as well as with legislative provisions and the relevant local contracts. All employees can view the relevant documents on the Company's intranet.

Health and safety

The Group protects the health and safety in the workplace of its employees in compliance with existing legislation.

To ensure this, the Group management, as well as having a Code of Ethics, implemented a management system for health and safety in the workplace in 2010:

- adapted to the risks in the plants, with awareness and continuous updating thereof being guaranteed by appropriate management of the “Risk assessment document” in accordance with 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 regarding hygiene and safety.

Non-competition agreement

Managers that have responsibilities connected with the unique nature of the Company’s business have signed a non-competition agreement.

Organisational structure

Over the year, the organisational structure was analysed and reviewed in order to better support the development of the two business lines. All organisational changes were notified in a clear and timely fashion.

With effect from April 1, 2010, Francesca Gandolfi resigned from her post of Director of Human Resources and on May 11, 2010, the Board of Directors appointed Giuseppe Guillot as the new Director of Human Resources and Organisation.
On December 16, 2010, the Board of Directors ratified the appointment of Alessandro Montanari as the new Director of Human Resources; in the meantime, Giuseppe Guillot took up another position within the Group.

THE ENVIRONMENT

The Group’s philosophy is based on the need to help safeguard the environment and combat climate change by improving the energy efficiency of its buildings, reducing the impact of transport, constantly monitoring energy consumption to optimise use and reduce waste, using low-consumption lighting and IT components, using renewable energy and reducing waste from its operations. The environment is a key asset that YOOX is committed to protecting by planning activities aimed at achieving a balance between business operations and indispensable environmental needs, and in so doing, it has decided to adopt a true strategy of environmental responsibility: YOOXYGEN.
The Group’s approach to environmental responsibility underpins the various initiatives implemented within the organisation that involve the whole company and minimise its environmental impact. On the occasion of Earth Day on April 22, 2010, YOOXYGEN celebrated its first birthday, presenting many new items online: a wide selection of eco-friendly products and limited edition collections exclusive to YOOXYGEN created by different designers. With the creation of YOOXYGEN, the Group has chosen to support Green Cross International through various projects, particularly favouring development programmes relating to climate change. In 2010, the project that the Group chose to support is “Smart Water for Green Schools”, the new environmentalist non-governmental organisation (NGO) that aims to institute systems for rainwater collection, ecological rehabilitation equipment and environmental awareness in schools located in cross-border water basins. The first schools started the pilot phase in Ghana in February 2010 with the goal of reaching 1,987 school children and 67 teachers in five communities.
Another YOOXYGEN initiative was launched during London Fashion Week in September 2010 in conjunction with the British Fashion Council (BFC), creating an exclusive retail online space at yoox.com for the Estethica ethical fashion initiative. In line with its commitment to eco-sustainability and the search for and promotion of new approaches to creativity, through this joint venture the Group is supporting sustainable fashion and giving emerging British talent the opportunity of reaching a wide public throughout the world.

The path of environmental sustainability that the Group has chosen to go down will be strengthened and developed over time with the aim of transforming it into an ongoing company practice in the future.

During 2010, YOOX continued to pursue its commitments to the environment, 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.

YOOX S.p.A.

YOOX S.p.A. reclassified income statement

YOOX S.p.A. reclassified income statement for the year ended December 31, 2010:

Thousand Euro	2010	2009	Change	
Net revenues	183,377	131,640	51,737	39.3%
Cost of goods sold	(123,055)	(85,156)	(37,899)	44.5%
Gross Profit	**60,322**	**46,484**	**13,838**	**29.8%**
% of net revenues	32.9%	35.3%		
Fulfilment costs	(18,258)	(13,369)	(4,889)	36.6%
Sales and marketing costs	(15,801)	(11,246)	(4,555)	40.5%
EBITDA Pre Corporate Costs	**26,264**	**21,869**	**4,394**	**20.1%**
% of net revenues	14.3%	16.6%		
General & Administrative expenses	(12,158)	(8,430)	(3,728)	44.2%
Other income and expenses	(382)	(797)	415	-52.0%
EBITDA	**13,723**	**12,643**	**1,081**	**8.5%**
% of net revenues	7.5%	9.6%		
Depreciation and amortisation	(3,701)	(2,154)	(1,547)	71.8%
Non-recurring expenses	-	(3,949)	3,949	-100%
Operating profit	**10,022**	**6,540**	**3,483**	**53.3%**
% of net revenues	5.5%	5.0%		
Financial income	866	515	351	68.0%
Financial expenses	(949)	(1,756)	807	-45.9%
Profit before tax	**9,939**	**5,299**	**4,640**	**87.6%**
% of net revenues	5.4%	4.0%		
Taxes	(3,880)	(2,546)	(1,333)	52.4%
Profit for the year	**6,059**	**2,753**	**3,306**	**>100%**
% of net revenues	3.3%	2.1%		
EBITDA excluding Incentive Plan Costs	**17,366**	**14,294**	**3,072**	**21.5%**
% of net revenues	9.5%	10.9%		

Net revenues, net of returns and customer discounts for 2010, was Euro 183,377 thousand, an increase of 39.3% 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 and Japanese Online Stores.
EBITDA totalled Euro 13,723 thousand, representing 7.5% of revenue.
Profit before tax in 2010 totalled Euro 9,939 thousand, or 5.4% of net revenues. Profit for the year went from Euro 2,753 thousand in 2009 to Euro 6,059 thousand in 2009, with the 2009 results affected by the non-recurring expenses linked to the IPO costs.

YOOX S.p.A. investments

In 2010 YOOX S.p.A. made investments totalling Euro 12,189 thousand. Since nearly all the Group's investments were made by the Parent YOOX S.p.A., see the Investments section for additional information.

YOOX S.p.A. reclassified statement of financial position

YOOX S.p.A. reclassified statement of financial position as at December 31, 2010:

Thousand Euro	December 31, 2010	December 31, 2009	% Change
Net Working Capital	29,006	13,555	>100%
Non-Current Assets	20,014	10,324	93.9%
Non-Current Liabilities (excluding financial liabilities)	(393)	(568)	-30.8%
Net Invested Capital	**48,627**	**23,311**	**>100%**
Equity	63,861	52,640	21.3%
Net Debt /Net Financial Position	(15,233)	(29,329)	-48.1%
Total Sources of Financing	**48,627**	**23,311**	**>100%**

YOOX S.p.A. reclassified statement of cash flows for 2010:

Thousand Euro	2010	2009	% Change
Cash flow generated by (used in) operating activities	(2,653)	16,459	>100%
Cash flow generated by (used in) investing activities	(12,304)	(2,580)	>100%
Sub-Total	**(14,956)**	**13,879**	**>100%**
Cash flow generated by (used in) financing activities	1,211	9,689	-87.5%
Total cash flow generated during the year	**(13,745)**	**23,568**	**>100%**

The net financial position of the Parent at December 31, 2010 was positive to the tune of Euro 15,233 thousand, compared with Euro 29,329 thousand at December 31, 2009.
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 16,595 thousand as at December 31, 2010, a significant difference compared with the figure as at December 31, 2009, 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 in investing activities includes payment of the Parent's share capital to Mishang Trading (Shanghai) Co. Ltd., equal to Euro 1.000 thousand, as a result of the establishment of the latter, which took place in the fourth quarter of 2010.

For more details, refer to the Group's statement of financial position and the notes to the separate financial statements at December 31, 2010.

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..

CORPORATE GOVERNANCE

The administration and control model used by the Parent, YOOX S.p.A., is the traditional model prescribed by Italian law, based on the existence of a shareholders' meeting, a Board of Directors and a Board of Statutory Auditors.
Corporate bodies are appointed by the shareholders and remain in office for three years.

Shareholders

The shareholders are convened and vote on items at ordinary and extraordinary sessions as dictated by law and the Company's bylaws.

On April 21, 2010 a meeting was held of the YOOX shareholders which:

- approved the financial statements at December 31, 2009, resolving to carry forward the profit for the year;
- modified the audit engagement conferred in accordance with articles 155 onwards of Legislative Decree 58/1998 on KPMG S.p.A. by the Shareholders in their Ordinary Meeting on September 8, 2009 with the consequent re-determination of the amounts for the years 2009-2017;
- appointed as a member of the Board of Directors, the director Catherine Gérardin, previously co-opted by way of an act dated October 29, 2009.

Share capital and shareholding structure at December 31, 2010

The share capital at December 31 of Euro 517,635.56 corresponds to a total number of 51,763,556 shares. This number of shares was the result of a decision dated September 3, 2009, taken by the Shareholders, to split the number of ordinary shares, following elimination of the nominal amount, with an implicit unit price of Euro 0.01.
Of the total shares at December 31, 2010, 47.27% are held by shareholders owning more than 2% of the share capital, as detailed in the Information for Investors section, and the remaining 52.73% is free float/held by others.
Compared with the situation at December 31, 2009, pursuant to decisions of the Board of Directors on January 18, 2010, May 11, 2010, August 5, 2010, September 10, 2010 and October 4, 2010, 1,359,800 new shares were subscribed with a nominal amount of Euro 13,598.00 following the exercise of stock options by six beneficiaries.

There are no shareholders' agreements.

On January 17, 2011, 104,000 YOOX S.p.A. ordinary shares were granted following the exercise of 2000 options relating to the 2007-2012 Stock Option Plan (in the ratio of 52 YOOX S.p.A. ordinary shares for each option exercised), at a strike price of Euro 59.17 for each option.

On January 28, 2011, 508,716 YOOX S.p.A. ordinary shares were granted following the exercise, during December 2010, of 9,783 options at the strike prices described in the table below.

Stock Option Plans	Strike price (in Euro)			Total option	Total post-split shares
	106.50	15.91	59.17		
2001 - 2003	4,750	250		5,000	260,000
2003 - 2005	500			500	26,000
2006 - 2008			4,283	4.283	222,716
Total	**5,250**	**250**	**4,283**	**9,783**	**508,716**

On February 14, 2011, 104,000 ordinary shares were granted following the exercise of 2000 options relating to the 2007 Stock Option Plan at a strike price of Euro 59.17 for each option.

Given the above, the new share capital issued by YOOX S.p.A. at the time of writing amounts to Euro 524,802.72, divided into 52,480,272 ordinary shares with no indication of nominal amount.

Over the years, various Stock Option Plans have been implemented for senior and middle management. On July 1, 2010, the YOOX Board of Directors approved the allocation of 13,965 options relating to 726,180 YOOX S.p.A. ordinary shares under the YOOX S.p.A. 2009-2014 Stock Option Plan, approved on March 11, 2010. On the same date, the Board also approved the YOOX S.p.A. 2009-2014 Incentive Plan Regulations and approved the allocation of 124,436 YOOX S.p.A. ordinary shares to 25 employees, free of charge. At December 31, 2010, 4 of the 25 employees who were granted options lost this right as they resigned involving the expiry of 16,068 ordinary shares granted on July, 1, 2010. On September 23, 2010, the YOOX Board of Directors approved the granting of 963 options relating to 50,076 YOOX S.p.A. shares, under the 2009-2014 Stock Option Plan. These options were granted on the condition that a working relationship be established between YOOX, or its subsidiaries, and the beneficiary, this condition being satisfied on February 1, 2011. On December 16, 2010, the YOOX Board of Directors approved the following granting in compliance with the regulations:

- under the YOOX S.p.A. 2009-2014 Stock Option Plan, the granting to nine beneficiaries, working in the technology department, in consideration of the importance of this sector for the Company, of a total of 1,755 options valid for the subscription of 91,260 YOOX ordinary shares. The Board of Directors also established

that the exercising of the options would be subject to achievement of the EBITDA level set out in the reference budget approved by the Company's Board of Directors, as indicated in the YOOX consolidated financial statements; the granting of the options was approved on the proposal of the Remuneration Committee, which also decided the number of options to be granted to each beneficiary.

- under the YOOX S.p.A. 2009–2014 Incentive Plan, the allocation, free of charge, of a total number of 17,420 YOOX ordinary shares to five employees; this allocation was approved on the proposal of the Compensation Committee, which has also determined the amount of the bonus to be allotted; the shares allocated in this way will be delivered under the terms and conditions set out in the Plan Regulations.

Following the end of the fiscal year, on February 1, 2011, with reference to the YOOX S.p.A. 2009-2014 Stock Option Plan approved by the shareholders' meeting on September 8, 2009, the condition precedent in relation to the granting to a beneficiary of 963 options, valid for the subscription of 50,076 YOOX S.p.A. ordinary shares, was satisfied.
On February 9, 2011, the Company's Board of Directors, whilst executing the YOOX S.p.A. 2009-2014 Stock Option Plan, approved the allocation, to one beneficiary, of 1,926 options valid for the subscription of 100,152 YOOX S.p.A. ordinary shares.

Board of Directors

The Parent is managed by a Board of Directors consisting of seven directors elected by the shareholders, not including Director Raffaello Napoleone, co-opted on July 1, 2010:

- Federico Marchetti (Chairman and Chief Executive Officer);
- Raffaello Napoleone (Director);
- Mark Evans (Director);
- Catherine Gérardin (Director);
- Massimo Giaconia (Director);
- Elserino Piol (Director);
- Stefano Valerio (Director).

The Chairman of the Board of Directors and all Directors were appointed by resolution dated October 7, 2009, with the exception of Director Catherine Gérardin, who was co-opted to the Board by resolution dated October 29, 2009; they will remain in office until the approval of the financial statements at December 31, 2011.
On October 7, 2009, the shareholders revised the total maximum annual remuneration payable to the management body and, on the same date, the Board of Directors decided on how to allot this remuneration. The Shareholders in their Ordinary Meeting on April 21, 2010, appointed director Catherine Gérardin, previously co-opted on October 29, 2009, as a member of the Board of Directors. Also, on July 1, 2010, the Board of Directors accepted the resignation of director Fausto Boni, with effect from July 1, 2010 and co-opted the new director Raffaello Napoleone, also appointing him a member of the Internal Control Committee.

Committees

Committee members were appointed by the Board of Directors on October 7, 2009, with the exception of the member of the Internal Control Committee, Raffaello Napoleone, who was co-opted on July 1, 2010. The composition of each committee is illustrated below.

Remuneration Committee:
- Elserino Mario Piol (Chairman), Non-Executive Director;
- Catherine Gérardin, Independent Non-Executive Director;
- Massimo Giaconia, Independent Non-Executive Director.

The Committee met on January 27, 2010, March 11, 2010, July 1, 2010, September 23, 2010 and December 3, 2010, and voted in favour of the following proposals:

- Proposal to award a bonus to the Chief Executive Officer for 2010;
- Proposal to grant stock options to the Chief Executive Officer;
- Proposal to grant stock options to some senior managers (2009-2014 Stock Option Plan);
- Proposal to exercise options of the 2009 tranche of the 2007-2012 Stock Option Plan;
- Proposal to reward 25 and later on 5 employees under the 2009-2014 Incentive Plan;
- Evaluation of the criteria adopted for the remuneration of Managers with strategic responsibilities;

- Proposal to grant stock options to a consultant;
- Proposal to grant the MBO for the year 2010 to some senior managers.

Internal Control Committee:
- Massimo Giaconia (Chairman), Independent Non-Executive Director;
- Raffaello Napoleone, Independent Non-Executive Director (from July 1, 2010, appointed to replace Fausto Boni who resigned);
- Catherine Gérardin, Independent Non-Executive Director.

The Committee met on February 22, 2010, May 5, 2010, July 27, 2010 and November 9, 2010.

Directors' Appointments Committee:
- Massimo Giaconia (Chairman), Independent Non-Executive Director;
- Catherine Gérardin, Independent Non-Executive Director;
- Stefano Valerio, Non-Executive Director.

This Committee did not meet during 2010.

On September 23, 2010, the Board of Directors identified the Internal Control Committee as the committee with responsibility for giving its opinion on operating procedures with related parties, in compliance with article 4, paragraph 3 of the Regulations adopted by the Consob through resolution no. 17221, later modified through resolution no. 17389 of June 23, 2010.

Chairman and Chief Executive Officer

On October 7, 2009, the Board of Directors confirmed Federico Marchetti, the founding shareholder of the YOOX Group, as the Chairman and Chief Executive Officer until approval of the financial statements at December 31, 2011. He was granted broad powers for the administration of the Parent including, but not limited to, signature powers on behalf of the Company and the power to serve 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.

Board of Statutory Auditors

The Board of Statutory Auditors is made up of three standing auditors and two alternate auditors appointed by the shareholders. The current Board of Statutory Auditors was appointed by a resolution dated October 7, 2009, and will remain in office until the approval of the financial statements at December 31, 2011. It is composed as follows:

- Filippo Tonolo (Chairman);
- Luca Sifo (Standing Auditor);
- David Reali (Standing Auditor);
- Nicola Bottecchia (Alternate Auditor);
- Edmondo Maria Granata (Alternate Auditor).

Executive in charge of preparing corporate accounting documents

Pursuant to Article 154-bis of Legislative Decree No. 58 of February 24, 1998, the executive in charge of preparing corporate accounting documents is the same person as the Director of Administration, Finance and Control. The Board of Directors met on July 1, 2010 and appointed Francesco Guidotti to this position, replacing Paolo Fietta, who resigned with effect from June 30, 2010.
The executive in charge of preparing corporate accounting documents is responsible for preparing appropriate administrative procedures for drawing up the separate and consolidated financial statements, certifying the actual application and adequacy of such procedures, and confirming that all communications concerning the Company's financial statements are truthful.

Independent auditors

On September 9, 2009, the Company's Shareholders voted to appoint KPMG S.p.A. to audit the separate and consolidated financial statements as at and for the years ending December 31, 2009 to December 31, 2017, pursuant to Article 159 of the Consolidated Finance Law. In their Ordinary Meeting on April 21, 2010 the Shareholders approved the modification to the appointment described above to bring it into line with the regulations in force.

Internal Audit

The Internal Audit function, set up in YOOX S.p.A. in January 2009, carried out the audit activities set out in the plan approved by the Company for the year 2010.
The Internal Audit supported the Executive in charge of preparing corporate accounting documents with regulatory compliance pursuant to Law 262/05, performing the monitoring related-activities set out in the audit plan and concerning the reporting for 2010.
The Internal Audit department also provided support to the Supervisory Body of YOOX S.p.A. with the implementation and development of the compliance activities required by Legislative Decree 231/2001, as well as those included in the audit plan on the basis of the provisions of the Organisational, Management and Control Model pursuant to Legislative Decree 231/01.
In addition, the Internal Audit function, in the person of its manager, Pietro Tagliati, provided for development and oversight of all the activities forming part of the broader system of Internal Control.

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 as Internal Control Manager, Pietro Tagliati, already head of Internal Audit, in accordance with art. 8, para. 7 of the Code of Conduct.
The Internal Control Manager is responsible for ensuring that the internal control system is consistently suitable and fully operational, but is not responsible for any operating area. He/she has direct access to all information useful for the performance of his/her duties.
The specific activities of the Internal Control Manager are set out in the 2010 audit plan approved by the director in charge of overseeing internal control on February 2, 2010 and by the Internal Control Committee on February 22, 2010.

Supervisory Body pursuant to Legislative Decree 231/01

The Company adopted the Organisational, Management and Control Model specified by Legislative Decree 231/01 and the Code of Ethics by resolution of the Board of Directors of September 3, 2009. The Company adopted a new version of the Organisational, Management and Control Model in the light of regulatory updates, by resolution of the Board of Directors of December 16, 2010, specified by Legislative Decree 231/01 and the Code of Ethics.
The Supervisory Body, which must satisfy the requirements of autonomy, independence and professionalism, and which has been granted inspection and control powers, as well as the powers and duties specified by the Model set forth in Legislative Decree 231/2001, was appointed by the Board of Directors by resolution of September 8, 2009.
The body is composed of three members: 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 Company's Internal Audit Manager.
The Supervisory Body, with the support of the Internal Audit department, has developed the activities set out in the audit plan defined in accordance with the instructions in the Organisational, Management and Control Model pursuant to Legislative Decree 231/01.

EVENTS AFTER THE REPORTING PERIOD

New highly automated global techno-logistics platform and logistics partner
On January 1, 2011, BSL Geodis, a company in the SNCF Group, became the new partner of the Group for the supply of techno-logistics services at the Logistics Centre (Bologna) and for the development of the highly automated global logistics platform project.

Allocation of shares following the exercise of stock options
On January 17, 2011, February 28, 2011 and February 14, 2011, 104,000, 508,716 and 104,000 YOOX S.p.A. ordinary shares, respectively, were allocated 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 option	Total post-split shares
		106.50	15.91	59.17		
2007 - 2012	January 17, 2011			2,000	2,000	104,000
2001 - 2003	January 28, 2011	4,750	250		5,000	260,000
2003 - 2005	January 28, 2011	500			500	26,000
2006 - 2008	January 28, 2011			4,283	4,283	222,716
Sub total		5,250	250	4,283	9,783	508,716
2007 - 2012	February 14, 2011			2,000	2,000	104,000
Total		**5,250**	**250**	**8,283**	**13,783**	**716,716**

Given the above, the new share capital issued by YOOX S.p.A. at the time of writing amounts to Euro 524,802.72, divided into 52,480,272 ordinary shares with no indication of nominal amount.

Stock option granting relating to the YOOX S.p.A. 2009 - 2014 Stock Option Plan
On February 1, 2011, the condition precedent in relation to the granting, to one beneficiary, of 963 options valid for the subscription of 50,076 YOOX ordinary shares, under the YOOX S.p.A. 2009-2014 Stock Option Plan, was satisfied.
Later on, on February 9, 2011, the Board of Directors approved the granting, to one beneficiary, of 1,926 options valid for the subscription of 100,152 YOOX ordinary shares, under the YOOX S.p.A. 2009-2014 Stock Option Plan.

Activation of the Jil Sander navy line on jilsander.com
On January 13, 2011, the jilsander.com Online Store was extended to include the Jil Sander Navy line.

Contract to extend robertocavalli.com and activate theJust Cavalli line
An agreement was signed with ITTIERRE S.p.A. to extend the robertocavalli.com Online Store to include the Just Cavalli line, which was launched on February 8, 2011.

Contract for extension and Japanese launch of diesel.com
A contract was signed to extend the diesel.com Online Store to Japan, which was activated on February 21, 2011.

The Vogue Talents Corner
On February 23, 2011 at Palazzo Morando (Milan), Vogue Italia and thecorner.com presented “The Vogue Talents Corner”, an innovative scouting project aiming to showcase emerging creative talents on the international fashion scene through e-commerce. The event featured a show by 14 young designers selected by Vogue Italia, Vogue US, Vogue China, Vogue Paris and Vogue UK.
Their clothes and accessories for the Spring/Summer 2011 collection are available for purchase at thecorner.com in an area dedicated to the project.

Online Store contract for brunellocucinelli.com
A contract was signed between Brunello Cucinelli S.p.A. and YOOX S.p.A. on January 19, 2011 for the Online Store for the Brunello Cucinelli brand, which will be launched in the first quarter of 2011 in Europe, the US and Japan.

Extension of marni.com to China
The marni.com Online Store was extended to the Chinese market on March 1, 2011.

OUTLOOK

Based on the positive performance of the online retail market and the Group's results in 2010, it is reasonable to assume that the Group can look forward to an increase in net revenues and profitability in 2011 as well. Both the Multi-brand and the Mono-brand business lines are expected to contribute to the growth thanks to the new launches that have already taken place in the first few months of 2011 and those that are planned for the rest of the year. Added to this are the new business opportunities resulting from the launch in the Chinese market, which in the second half of 2011 will see the multi-brand thecorner.cn online boutique operating alongside the mono-brand business launched at the end of 2010.
The new automated global techno-logistics platform will be implemented in 2011, bringing with it an increase in operating efficiency levels and a consequent improvement in expected profitability in subsequent years. It will be capable of supporting the Group's forecast growth until 2016.
An acceleration of the investment policy is predicted for 2011, both linked to the techno-logistics automation project and to the innovation and consolidation of the Group's multi-channel technological platform.
The measures taken to further international development will continue, together with the internal initiatives aimed at improving efficiency and cost management.

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, 2010, which report a profit of Euro 6,059,201.12 together with the Directors' Report thereon;
- to carry forward the entire amount of profit for the year of YOOX S.p.A totalling Euro 6,059,201.12;
- to acknowledge that the YOOX Group's consolidated financial statements at December 31, 2010 show a profit of Euro 9,116,761.55.

Zola Predosa (BO), March 9, 2011
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 2010:

Thousand Euro	Q4 10	% Total	Q4 09	% Total
Fulfilment costs	**(6,077)**		**(4,340)**	
of which Incentive Plans	*(50)*	*4.5%*	*(353)*	*28.9%*
Sales and marketing costs	**(6,896)**		**(4,652)**	
of which Incentive Plans	*(399)*	*36.4%*	*(220)*	*18.0%*
General & Administrative expenses	**(5,322)**		**(3,509)**	
of which Incentive Plans	*(648)*	*59.0%*	*(647)*	*53.0%*
Incentive Plans total	**(1,097)**	***100.0%***	**(1,221)**	***100.0%***

Impact of Incentive Plans in 2010:

Thousand Euro	2010	% Total	2009	% Total
Fulfilment costs	**(21,539)**		**(15,514)**	
of which Incentive Plans	*(152)*	*4.0%*	*(394)*	*23.9%*
Sales and marketing costs	**(24,691)**		**(16,747)**	
of which Incentive Plans	*(1,163)*	*31.1%*	*(347)*	*21.0%*
General & Administrative expenses	**(18,945)**		**(12,105)**	
of which Incentive Plans	*(2,429)*	*64.9%*	*(910)*	*55.1%*
Incentive Plans total	**(3,744)**	***100.0%***	**(1,651)**	***100.0%***

Annex 2: Investments of members of management and control bodies, general managers and key management personnel at December 31, 2010

Name and surname	Company	Method of ownership [1]	No. of shares held at Dec. 31, 2009	No. of shares purchased[2]	No. of shares sold	No. of shares held at Dec. 31, 2001
Federico Marchetti	YOOX S.p.A.	Direct	2,411,853	-	-	2,411,853
Fausto Boni[(3)]	YOOX S.p.A.	Direct	57,616	-	57,616	-
Stefano Valerio	YOOX S.p.A.	Direct	-	104,000	-	104,000
Raffaello Napoleone	YOOX S.p.A.	Direct	-	14,555	-	14,555
Alberto Grignolo	YOOX S.p.A.	Direct	25,360	-	-	25,360
Marco Di Pietro	YOOX S.p.A.	Direct	6,000	-	6,000	-
Massimiliano Benedetti	YOOX S.p.A.	Direct	2,000	-	2,000	-
Gabriele Tazzari	YOOX S.p.A.	Direct	1,000	-	-	1,000
Giuseppe Guillot	YOOX S.p.A.	Direct	200	-	-	200

(1) Including investments held through spouses that have not legally separated and minor children.

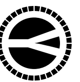
(2) Including through the exercise of stock options.

(3) he resigned as a Director of the Company on July 1, 2010.

Annex 3: Remuneration paid to members of management and control bodies, general managers and key management personnel at December 31, 2010

Name and surname	Position held	Period over which position was held	Termination of position	Remuneration for position at the Company preparing financial statements (Euro)	Non-monetary benefits (Euro)	Bonuses and other incentives (Euro)	Other remuneration (Euro)
Federico Marchetti	Chairman of the Board of Directors and Chief Executive Officer	Jan. 1, 2010 - Dec. 31, 2010	2012	450,000	-	450,000	-
Fausto Boni[1]	Director	Jan. 1, 2010 - Jun. 30, 2010	2012	10,000	-	-	-
Mark Evans	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	-	-	-	-
Massimo Giaconia	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	20,800	-	-	-
Raffaello Napoleone [2]	Director	Jul. 1, 2010 - Dec. 31, 2010	2012	10,000	-	-	-
Massimiliano Benedetti	Director (YOOX Corporation)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	-	-	-	-
Holly Brubach	Director (YOOX Corporation)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	5,657			
Giuliano Iannacone [4]	Director (YOOX Corporation)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	18,858	-	-	-
Hari Samaroo [5]	Director (Y Services)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	12,092	-	-	-
Elserino Mario Piol	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	20,000	-	-	-
Stefano Valerio[6]	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	20,800	-	-	-
Catherine Gérardin	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	20,000	-	-	-
Jun Nagamine [3]	Director (YOOX Japan)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	5,807	-	-	-
Koji Ono [3]	Director (YOOX Japan)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	-	-	-	-
Filippo Tonolo	Chairman of Board of Statutory Auditors	Jan. 1, 2010 - Dec. 31, 2010	2012	31,200	-	-	-
David Reali	Standing Auditor	Jan. 1, 2010 - Dec. 31, 2010	2012	21,216	-	-	-
Luca Sifo	Standing Auditor	Jan. 1, 2010 - Dec. 31, 2010	2012	20,800	-	-	-
Nicola Bottecchia	Alternate Auditor	Jan. 1, 2010 - Dec. 31, 2010	2012	-	-	-	-
Edmondo Maria Granata	Alternate Auditor	Jan. 1, 2010 - Dec. 31, 2010	2012	-	-	-	-
Key management personnel		Jan. 1, 2010 - Dec. 31, 2010	-	1,481,325.99	-	82,408.11	-

(1) Fausto Boni resigned as a Director of the Company on July 1, 2010.
(2) Raffaello Napoleone was appointed with the approval of the Board of Directors on July 1, 2010 following the resignation of Fausto Boni.
(3) Remuneration paid by YOOX Japan.
(4) Remuneration paid by YOOX Corporation.
(5) Remuneration paid by Y Services.
(6) For further remuneration, see the table on transactions with related parties in the consolidated and separate financial statements.



Annex 4: Stock options granted to members of management and control bodies and key management personnel at December 31, 2010.

		Options held at the beginning of the year			Options granted during the year			Options exercised during the year			Options expiring during the year	Options held at the end of the year		
Name and surname	Position held	No. of stock options	Average exercise price	Average maturity	No. of stock options	Average exercise price	Average maturity	No. of Stock options	Average exercise price	Average market price when exercised	No. of Stock options	No. of Stock options	Average exercise price	Average maturity
Federico Marchetti	Chairman of the Board of Directors and Chief Executive Officer	61,126	1.0843	Apr. 24, 2019	28,848	5.3400	31/12/2014	-	-	-	-	89,974	2.4488	Apr. 18, 2016
Holly Brubach	Director YOOX Corporation	1,000	2.0481	Jan. 31, 2015	-	-	-	-	-	-	-	1,000	2.0481	Jan. 31, 2015
Moritz Hau	Deputy Chairman YOOX Corporation	1,340	1.7085	Feb. 6, 2018	963	5.8700	31/12/2014	-	-	-	-	2,303	3.4486	Nov. 23, 2015
Ono Koji	Director YOOX Japan	1,000	2.0481	Jan. 31, 2015	-	-	-	-	-	-	-	1,000	2.0481	Jan. 31 2015
Key management personnel		67,743	1.1291	Mar. 18, 2019	23,091	5.4946	31/12/2014	2,348	1.1379	6.5944	3,849	84,637	2.1304	Sept. 20, 2016
Other Beneficiaries		51,607	1.3883	Oct. 31, 2017	9,948 (1)	5.9342	31/12/2014	24,735	1.3000	6.5944	1,763	35,057	2.7024	Dec. 16, 2015

(1) Including 963 options corresponding to 50,076 shares granted to a beneficiary and for which the related suspension for the granting was verified on February 1, 2011.

CONSOLIDATED FINANCIAL STATEMENTS
YOOX GROUP

TABLE OF CONTENTS

Consolidated financial statements at December 31, 2010 prepared in accordance with International Financial Reporting Standards (IFRS) 99
Consolidated income statement 99
Consolidated statement of comprehensive income 100
Consolidated statement of financial position 101
Statement of changes in consolidated equity at Dec. 31, 2010 and Dec. 31, 2009 102
Consolidated statement of cash flows 103
Notes to the consolidated financial statements as at and for the year ended December 31, 2010 104
Annexes 168

CONSOLIDATED FINANCIAL STATEMENTS YOOX GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (1)

Consolidated income statement

Thousand Euro	Notes	2010	2009
Net revenues	9.1	214,288	152,217
Cost of goods sold	9.2	(129,864)	(91,897)
Fulfilment costs	9.3	(22,048)	(15,935)
Sales and marketing costs	9.4	(24,723)	(16,777)
General expenses	9.5	(22,148)	(13,838)
Other income and expenses	9.6	(497)	(957)
Non-recurring expenses	9.7	-	(3,973)
Operating profit	**9.8**	**15,008**	**8,840**
Financial income	9.9	986	518
Financial expenses	9.9	(1,053)	(1,983)
Profit before tax		**14,941**	**7,375**
Taxes	9.10	(5,824)	(3,227)
Consolidated profit for the year		**9,117**	**4,098**
of which:			
Attributable to owners of the Parent		9,117	4,098
Attributable to non-controlling interests		-	-
Basic earnings per share*	9.11	0.18	0.10
Diluted earnings per share*	9.11	0.17	0.08

(1) The financial statements, which were prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication No. DEM/6064293 of July 28, 2006, are annexed to the notes to consolidated financial statements at December 31, 2010.

Consolidated statement of comprehensive income

Thousand Euro	Notes	2010	2009
Consolidated profit for the year		9,117	4,098
Other comprehensive income, net of tax			
Foreign currency translation differences for foreign operations	9.20	340	(75)
Profit/(loss) from cash flow hedges	9.20	-	(13)
Total other comprehensive income		340	(88)
Total consolidated comprehensive income for the year		9,457	4,010
of which:			
attributable to owners of the Parent		9,457	4,010
attributable to non-controlling interests		-	-

Consolidated statement of financial position

Thousand Euro	Notes	Dec. 31, 2010	Dec. 31, 2009
Non-Current Assets			
Property, plant and equipment	9.12	8,395	3,508
Intangible assets with finite useful life	9.13	7,129	3,420
Deferred tax assets	9.14	5,456	3,546
Other non-current financial assets	9.15	507	409
Total non-current assets		**21,487**	**10,883**
Current assets			
Inventories	9.16	76,311	47,054
Trade receivables	9.17	9,384	6,743
Other current assets	9.18	7,318	3,213
Cash and cash equivalents	9.19	24,188	35,007
Financial assets	9.19	5,082	-
Total current assets		**122,283**	**92,017**
Total assets		**143,770**	**102,900**
Equity			
Share capital		518	504
Reserves		64,426	58,937
Losses carried forward		(5,364)	(9,462)
Consolidated profit for the year		9,117	4,098
Equity attributable to owners of the Parent	9.20 – 9.21	68,697	54,077
Equity attributable to non-controlling interests		-	-
Total consolidated equity		**68,697**	**54,077**
Non-current liabilities			
Medium-long term financial liabilities	9.22	846	693
Employee benefits	9.23	213	219
Provisions for risks and charges	9.25	116	310
Deferred tax liabilities	9.24	69	43
Total non-current liabilities		**1,244**	**1,265**
Bank loans and other current financial liabilities	9.22	5,600	313
Provisions for risks and charges	9.25	877	538
Trade payables	9.26	48,943	27,254
Tax liabilities	9.27	2,441	3,913
Other liabilities	9.28	15,968	15,540
Total current liabilities		**73,829**	**47,558**
Total consolidated equity and liabilities		**143,770**	**102,900**

Statement of changes in consolidated equity at Dec. 31, 2010 and Dec. 31, 2009 – Note 9.20

Thousand Euro	*Share capital*	*Share premium reserve and other equity-related reserves*	*Legal reserve*	*Reserve for own shares*	*Hedging reserve*	*Stock option reserve*	*Translation reserve*	*Retained earnings or losses carried forward*	*Consolidated profit for the year*	*Equity attributable to non-controlling interests*	***Total***
December 31, 2008	**401**	**22,666**	**23**	**-**	**13**	**2,578**	**48**	**(11,696)**	**2,402**	**-**	**16,435**
Share capital increase	103	31,876	-	-	-	-	-	-	-	-	**31,979**
Increases in reserves for share-based payments	-	-	-	-	-	1,651	-	-	-	-	**1,651**
Total consolidated comprehensive income	-	-	-	-	(13)	-	(75)	-	4,098	-	**4,010**
Other changes	-	-	170	-	-	-	-	2,234	(2,402)	-	**2**
December 31, 2009	**504**	**54,542**	**193**	**-**	**-**	**4,229**	**(27)**	**(9,462)**	**4,098**	**-**	**54,077**
Share capital increases	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**

Consolidated statement of cash flows

Thousand Euro	Notes	2010	2009
Consolidated profit for the year	9.29	9,117	4,098
Adjustments for:			
Taxes for the year	9.29	5,824	3,277
Financial expenses	9.30	1,053	1,983
Financial income	9.30	(986)	(518)
Depreciation, amortisation and impairment losses	9.30	3,744	2,182
Fair value measurement of stock options	9.30	3,744	1,651
Unrealised effect of changes in foreign exchange rates	9.30	340	(75)
(Gains)/losses on sale of non-current assets	9.30	-	6
Employee benefits	9.30	33	18
Provisions for risks and charges	9.30	549	576
Payment of employee benefits	9.30	(39)	(73)
Use of provisions for risks and charges	9.30	(404)	(242)
Changes in inventories	9.31	(29,257)	(8,402)
Changes in trade receivables	9.31	(2,641)	(2,832)
Changes in trade payables	9.31	21,354	9,972
Changes in other current assets and liabilities	9.32	(3,678)	10,541
Cash flow from (used in) operating activities		**8,753**	**22,162**
Income tax paid	9.29	(9,180)	(2,276)
Interest and other financial expenses paid	9.30	(1,053)	(1,983)
Interest and other financial income received	9.30	986	518
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**(494)**	**18,421**
Investing activities			
Acquisition of property, plant and equipment	9.33	(5,374)	(706)
Acquisition of intangible assets	9.34	(6,065)	(2,184)
Acquisition of other non-current financial assets	9.35	(98)	-
Proceeds from sale of other non-current financial assets	9.35	-	826
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(11,537)**	**(2,064)**
Financing activities			
Increase in current financial liabilities	9.38	5,028	-
Repayment of current financial liabilities	9.38	-	(3,929)
Increase in medium-long term financial liabilities	9.37	-	-
Repayment of medium-long-term financial liabilities	9.37	(155)	(18,348)
Repurchase of treasury shares		(362)	
Increase in share capital and share premium reserve	9.36	1,795	31,980
Investments in financial assets	9.19	(5,082)	-
Variation through difference between cash effect and action of incentive plans	9.21	(12)	-
Changes in the hedging reserve	9.36	-	(13)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**1,212**	**9,688**
TOTAL CASH FLOW FOR THE YEAR		**(10,820)**	**26,045**
Cash and cash equivalents at the beginning of the year	9.19	35,007	8,962
Cash and cash equivalents at the end of the year	9.19	24,188	35,007
TOTAL CASH FLOW FOR THE YEAR		**(10,820)**	**26,045**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2010

1. Group structure and activities

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

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, 2010

The consolidated financial statements at December 31, 2010 were approved by the Board of Directors on March 9, 2011. They have been audited and will be presented at the shareholders’ meeting.

3. Statement of compliance with IFRS and basis of preparation

The YOOX Group prepared the consolidated financial statements at December 31, 2010 in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards 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 consolidated financial statements at December 31, 2010 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, 2010 are compared with the consolidated financial statements of the previous year, and comprise the income statement, the statement of comprehensive income, the statement of financial position and the statement of changes in equity, as well as these notes.

Consolidated financial statements

In accordance with CONSOB Resolution 15519 of 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 transactions with related parties, in order to improve readability.

As indicated above, the consolidated financial statements at December 31, 2010 were drawn up in accordance with the IFRS endorsed by the European Union, and comprise the following:

Income statement

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

Statement of comprehensive income

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

Statement of financial position

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

Statement of changes in equity

The statement of changes in equity reports the profit or loss for the year, including each item of revenue or cost, income or expense which, as required by IFRS and their interpretations, is recognised directly in equity, and the total of these items; total comprehensive income or loss for the year, with separate presentation of the portion pertaining to owners of the Parent and any portion pertaining to non-controlling interests; the effect on each item of equity of changes to accounting standards and corrections of errors as required by the accounting treatment set out in IAS 8; and the balance of retained earnings or losses 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 owners of the Parent and a reconciliation between the carrying amount of each share class, the share premium reserve and other reserves at the start and end of the year, showing each change separately.

Statement of cash flows

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

4. Accounting standards and measurement criteria

4.1 Basis of preparation

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

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

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

The accounting policies adopted for the preparation of the consolidated financial statements at December 31, 2010 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 notes thereto, the management is required to use estimates and assumptions which affect the carrying amount of recognised assets and liabilities and the information regarding contingent assets and liabilities at the reporting date.

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

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

Allowance for impairment

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

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 recognised provisions.

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 expected 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, the Group took performance expectations for 2011 into account when drawing up the consolidated financial statements at December 31, 2010, and more particularly when conducting impairment tests on property, plant and equipment and intangible assets. For future years it also drew up specific performance forecasts for its businesses on a precautionary basis, which take into account the profound changes to the economic, financial and market situation that have been brought about by the crisis. On the basis of these forecasts, there is no apparent need for significant impairments.

- In the event of a further worsening of the assumptions forming the basis for the forecasts, the following should be noted: in terms of the Group's property, plant and equipment and intangible assets with finite useful life (essentially development costs), the forecasts refer to recent applications/platforms with highly technological content, which makes them competitive in the current economic climate. It is therefore thought highly probable that the life-cycles of these assets could be prolonged, allowing the Group to achieve sufficient income flows to cover the investment made in the assets within the timeframe identified.

Defined benefit plans

The Parent provides personnel with a defined benefit plan (post-employment benefits). Management uses various statistical assumptions and evaluation factors to anticipate future events in order to calculate expenses, liabilities and plan assets. These assumptions concern the discount rate, the expected return on plan assets, where these 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. Regarding discount rates, during 2010 the rate curves of high-quality corporate securities were not as highly volatile as in previous years. 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, 2010, the Group had deferred tax assets of Euro 5,456 thousand, which are recognised in full in the financial statements. At December 31, 2009, the Group had deferred tax assets of Euro 3,799 thousand, of which Euro 253 thousand was not recognised in the financial statements. In 2009, management posted these adjusting entries in order to reduce the carrying amount of the deferred tax assets to the likely recoverable amount. The assessment of the recoverability of the deferred tax assets took into consideration budget results

and forecasts for subsequent years that are consistent with those used for the impairment test and which are described in the previous paragraph on the recoverable amount of non-current assets. Moreover, the deferred tax assets set aside refer to temporary fiscal differences which are to a great extent recoverable over a long period of time. These entries are therefore still compatible with a scenario in which the emergence from the crisis and economic recovery take longer than the timeline implied in the aforementioned forecasts.

Contingent liabilities

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

4.3 Basis of consolidation

Subsidiaries

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

The financial statements of subsidiaries, which were all formed rather than acquired, are 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 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.

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 included as an increase in assets, liabilities and contingent liabilities, with the remainder to goodwill. Any negative differences resulting from elimination of investments against the amount of equity recognised at the date of the initial consolidation are included as a decrease in assets and liabilities, with the remainder in the income statement.

Treatment of foreign currency transactions

Foreign currency transactions

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

Financial statements of foreign operations

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

Exchange rate differences arising from translation are recognied directly in equity under the “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 released to the income statement.

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

On the first-time adoption of IFRS, the cumulative translation differences generated by the consolidation of foreign companies outside the Euro zone were reclassified to other reserves, as permitted under IFRS 1. Therefore the 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, 2010 and at December 31, 2009 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, 2010	Average exchange rate for 2010
USD	1.3362	1.3257
YEN	108.65	116.24
CNY	8.8220	8.9712
GBP	0.8608	0.8578

	Exchange rate at Dec. 31, 2009	Average exchange rate for 2009
USD	1.4406	1.3948
YEN	133.16	130.34
GBP	0.8881	0.8909

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 expenses.

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 they are incurred. After initial recognition, derivatives are measured at fair value. Any changes are recognised as described below.

Cash flow hedges

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.

Accumulated gains 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

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 as they are 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 in the financial year in which they are 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 non-current assets at their fair value, or, if lower, at the present value of the lease payments, depreciated over the estimated useful life and adjusted for any impairment losses calculated as described below. The amount payable to the lessor is recognised under financial liabilities.

Depreciation

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

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

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

The depreciation method, useful lives and residual values are verified 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 at the time they are incurred.

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

– the technical feasibility of the product can be demonstrated;

– the ability to use or sell the intangible asset can be demonstrated;

– the Group intends to complete the development project;

– the costs incurred for the project can reliably be calculated;

– the amounts entered can be recovered through 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 expense. Financial expenses incurred in developing capitalised assets that normally require a fixed period of time to be prepared for use or sale are capitalised and amortised over the life of the asset class in question. All other financial expenses are recognised in the income statement for the year in which they are incurred. Other development expenses are recognised in the income statement at the time they are incurred.

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

Development projects in progress are measured 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 for the year in which they are incurred.

Amortisation

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

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

The useful lives and residual values are verified at the 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 measured 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 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 entered in the income statement.

Current financial assets

Current financial assets and securities held with the intention of keeping them until maturity are accounted for at the settlement date and, upon initial recognition, they are measured at the purchase cost, including ancillary transaction costs.
Following the initial measurement, the financial instruments available for sale and those for trading are measured at the fair value. If the market price is not available, the fair value of the financial instruments available for sale is measured using the most appropriate evaluation techniques, such as, for example the analysis of discounted cash flows, made using the market information available at the reporting date.
The gains and losses on financial assets available for sale are measured directly under Other total gains (losses) until the time in which the financial asset is sold or impaired; at the time the asset is sold, the gains or accumulated losses, including those previously recorded under Other total gains (losses) are included in the income statement; at the time the asset is impaired, the accumulated losses are included in the income statement. The gains and losses generated by variations in the fair value of financial instruments classified as held for trading are recorded 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 the purchase cost. Loans dues after on year, are non-interest bearing or which mature with interest less than the market, are discounted using the market rates.
Measurements are made regularly in order to check whether there is objective evidence that a financial asset or group of assets could have suffered an impairment loss. If there is objective evidence, the 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 in accordance with the average cost method for each category of goods, includes purchase costs and costs incurred to bring the inventories to their present location and condition.

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

Trade and other receivables

Trade and other receivables, which are generally 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 estimated future cash flows. If, in a subsequent year, the impairment loss decreases, the loss previously stated is partially or fully reversed and the amount of the receivable is reversed, for an amount not exceeding what would have been the amortised cost if the loss had not been recognised.

Cash and cash equivalents

Cash and cash equivalents include all cash on hand, bank and postal deposits and equivalent items that can be sold in the very short term (within three months), stated at the nominal amount, and 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 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 held-to-maturity investments 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, other than 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 amount 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 equity are repurchased, these instruments (treasury shares) are deducted directly from the “Other reserves” in equity. No gains or losses are recognised in the income statement for the purchase, sale or cancellation of treasury shares.

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

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

Financial liabilities

Financial liabilities are initially recognised at their fair value, net of ancillary charges, and subsequent to 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 term 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

The post-employment benefits (TFR) of the Italian company are classed as a defined benefit plan under IAS 19. The benefits guaranteed to employees in the form of post-employment benefits, which are issued on cessation

of the working relationship, are stated at the expected future value of the benefits that employees will receive and that have accrued during the year and in 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 measured 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 over the remaining service life of employees when their net cumulative value is more than 10% greater than the value of the total obligations under the defined benefit plans and 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. Under IFRS 2 – Share-based payment, these are classed as equity settled. The total present value of the stock options 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 expense on a straight-line basis over 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 Group obligations that are legal or implicit (under contracts or otherwise), deriving from a past event. Provisions for risks and charges are accrued if it is probable 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 recognised liability. Any change in the estimated provisions is reflected in the income statement for the period in which it takes place. If obligations are discounted, the increase in the provision due to the passage of time and any effect arising from the change in the discount rate is recognised as a financial charge.

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 over the life of the liability, in line with the effective interest 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 retain the continuing involvement to the degree usually associated with ownership of the good sold.

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

Services

Revenue 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.

Commissions

When the Group acts as a commercial intermediary rather than as a principal, the recognised revenue 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 and all costs incurred in order to prepare the purchased goods for sale, as well as any direct and indirect ancillary costs, both internal and external (transport costs and customs duties). Costs incurred for transporting goods are included under the cost of goods sold since they relate directly to revenue from sales. The cost of goods purchased is measured at the fair value of the consideration paid or agreed. Generally, the cost of goods purchased is therefore composed of cash and cash equivalents paid or payable in future on normal payment terms. On this basis, the cost of goods purchased is recognised according to the purchase price of the goods stated on the invoice, net of rebates, discounts and allowances.

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

The change in product inventories reflects the difference between initial inventories (the closing inventories from the previous period) and the closing inventories of the accounting period under review.

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

Fulfilment costs

These are costs incurred for:

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

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

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

Sales and marketing costs and general and administrative expenses

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

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

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

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

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

Property leases and operating lease payments

Property leases and operating lease payments are recognised in the income statement on an accruals basis (at the time when the economic benefits deriving from the leased assets are recognised). In the event that the economic benefits are lower than the unavoidable minimum costs 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 income 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 payable on loans and losses on hedging instruments recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest method.

Income taxes

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

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

Deferred tax is recorded in accordance with the equity method by calculating temporary differences between the carrying amount of recognised 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 probable that future taxable income will be sufficient for these assets to be used. The carrying amount of deferred tax assets is reviewed at the end of every year and is reduced to the extent that the related tax benefit is no longer likely to be realised.

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

Earnings per share

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

Segment reporting

A business segment is a group of separately identifiable activities and operations providing a set of related products and services, subject to risks and 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. Accounting standards, amendments and interpretations applied from January 1, 2010

The following accounting standards, amendments and interpretations were applied by the Group for the first time from January 1, 2010:

Amendment to IFRS 2 – Share-based Payment: Group Cash-settled Share-based Payment Transactions:

The revised IFRS 2 came into force on January 1, 2010.

The EC regulations that endorsed this amendment are as follows:

1 Regulation (EU) No. 244/2010 of March 23, 2010 – *Group Cash-settled Share-based Payment Transactions*, which adopted amendments to IFRS 2, *Share-based payments*.

2 Regulation (EU) No. 243/2010 of March 23, 2010 – *Improvements to International Financial Reporting Standards (2009).*

It was necessary to make amendments to IFRS 2 in order to define the accounting treatment applicable to group cash-settled share-based payment transactions, which were not specifically dealt with previously under IFRS 2 or other interpretations.
As a result of these amendments, the IASB also decided to extend the accounting standard to include provisions that had previously been dealt with in two separate interpretations, which were therefore withdrawn: IFRIC 8, *Scope of IFRS 2*, and IFRIC 11, *IFRS 2 – Group and treasury share transactions*.
Pursuant to the amendments made to IFRS 2, an entity that receives goods or services (receiving entity) in a cash-settled share-based payment transaction or an equity-settled transaction must account for the transaction in its separate or individual financial statements. This obligation applies even when the transaction is settled by another group entity or a shareholder of any group entity (settling entity) and the receiving entity is not obligated to settle the transaction directly. Before these amendments were introduced, despite the receiving entity not being subject to a direct obligation, the requirement for the receiving entity to account for share-based payment transactions applied only to equity-settled transactions settled by another group entity.

A summary of the new provisions of IFRS 2 is provided below, detailing the relevant obligations and recognition methods:

- if the receiving entity, in relation to goods or services received as part of a share-based payment transaction, grants equity-based incentives or is not obligated to settle the transaction, the share-based payment transaction must be recognised in its separate or individual financial statements as an equity-settled transaction;
- in all other cases the receiving entity must recognise a share-based payment transaction as a cash-settled transaction in its separate or individual financial statements;
- even if the goods and services are received by another group entity, the settling entity must recognise a share-based payment transaction as an equity-settled transaction if it is obligated to settle the aforementioned transaction with equity instruments. However, in cases in which a share-based payment transaction is settled with cash or other assets (for example, equity instruments of other group entities), the transaction must be recognised in its separate or individual financial statements as a cash-settled transaction.

Group-settled share-based payment transactions must be recognised in the separate or individual financial statements without taking into account any intra-group repayment agreements. For example, if the receiving entity has no obligation towards the supplier of the goods or services to settle the transaction but is subject to an obligation pursuant to an intra-group agreement to repay another group entity acting as the settling entity, the receiving entity must recognised the share-based payment transaction as an equity-settled transaction in its separate or individual financial statements. The transaction resulting from the intra-group agreement must be recognised separately, since it does not fall within the scope of IFRS 2.

Entities must apply the amendments to IFRS 2 retroactively to financial statements for years beginning on or after January 1, 2010, taking into account the transitional provisions of IFRS 2, paragraphs 53-59. If the information required for retroactive application is not available, entities must report the amounts previously recognised in the group consolidated financial statements in their separate or individual financial statements.

Amendments and interpretations that came into effect from January 1, 2010 but are not relevant for the Group

The following amendments, improvements and interpretations, which came into effect from January 1, 2010, govern circumstances and cases that do not exist in the Group at the time of these consolidated financial statements, but which might affect the accounting of future transactions or agreements:

- IFRS 3 (Revised in 2008) – Business combinations: specifically, the updated version of IFRS 3 introduced significant modifications which, in the main, involve: the rules for combination of subsidiaries achieved in stages; the right to measure at fair value any shares in profit pertaining to non-controlling interests purchased during a partial acquisition; the allocation to income statement of all costs connected with the business combination; and the recognition of the liabilities for contingent consideration at the acquisition date;
- IAS 27 (2008) – Consolidated and separate financial statements: the modifications to IAS 27 relate mainly to the accounting of transactions or events that change the equity interests in subsidiaries and to the allocation of subsidiary losses to non-controlling interests;
- Improvement to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations;

- Amendments to IAS 28 – Investments in Associates and to IAS 31 – Interests in Joint Ventures, resulting from the changes to IAS 27;
- Improvement to IAS/IFRS (2009);
- IFRIC 17 – Distributions of Non-cash Assets to Owners;
- IFRIC 18 – Transfers of Assets from Customers;
- Amendment to IFRS 39 – Financial Instruments: recognition and measurement – Elements that qualify for Cover.

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Group

On October 8, 2009, the IASB issued an amendment to IAS 32 – Financial Instruments: Presentation: Classification of Rights Issues, to govern accounting for rights issues (rights, options or warrants) denominated in currencies other than the functional currency of the issuer. These rights were previously accounted for as liabilities relating to derivative financial instruments. The amendment stipulates that, in certain circumstances, these rights are to be classified under equity, regardless of the currency in which the exercise price is denominated. The amendment is applicable retrospectively from January 1, 2011. Adoption of this amendment is not expected to have any significant effect on the Parent's financial statements.

At November 4, 2009, the IASB issued a revised version of IAS 24 – Related party disclosures that simplifies the type of information required in the case of transactions with related parties. The standard applies from January 1, 2011. At the reporting date the competent European Union bodies have not yet completed the process of endorsement necessary for its application.

On November 12, 2009, the IASB published IFRS 9 – Financial Instruments, relating to the classification and measurement of financial assets, applicable from January 1, 2013. This publication is the first part of a gradual process to fully replace IAS 39. The new standard uses a unique approach based on methods for managing financial instruments and on characteristics of the contractual cash flows of financial assets to determine the measurement criteria, replacing the various rules in IAS 39. The new standard also includes a single method for determining the impairment losses on financial assets. At the reporting date, the competent European Union bodies have not yet completed the necessary endorsement process for its application.

On November 26, 2009, the IASB issued a minor amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement, allowing companies making prepayments of minimum funding contributions to recognise these as an asset. The amendment applies from January 1, 2011. At the reporting date, the competent European Union bodies have not yet completed the necessary endorsement process for its application.

On November 26, 2009, the IFRIC issued IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments, which provides guidelines for recognition of the extinguishing of a financial liability by issuing equity. The interpretation stipulates that if a business renegotiates the terms to extinguish a financial liability and its creditor agrees to extinguish it via the issue of shares in the business, the shares issued by the business become part of the price paid for the extinction of the financial liability and must be measured at fair value. The difference between the carrying amount of the financial liability extinguished and opening equity instruments must be recognised in the income statement for the period. The amendment applies from January 1, 2011. At the reporting date, the competent European Union bodies have not yet completed the necessary endorsement process for its application.

At May 6, 2010, the IASB issued a series of improvements to IFRS that will apply from January 1, 2011; the main ones are listed below:

- IFRS 3 (2008) – Business combinations: the amendment clarifies that non-controlling interests which do not bear the right to receive a share proportional to the net assets of the subsidiary should be measured at the fair value or in accordance with the applicable accounting standards. Therefore, for example, a stock option plan granted to employees should be measured, in the case of a business combination, in compliance with the rules of IFRS 2 and the portion of equity of a convertible bond should be measured in compliance with IAS 32. In addition, the Board has taken a detailed look at the subject of share-based payment plans which have been replaced in a business combination context and has added a dedicated guide in order to clarify the accounting treatment thereof.

- IFRS 7 – Financial Instruments: additional information: the modification stresses the interaction between additional information of a qualitative nature and that of a quantitative nature required by the standard

concerning the nature and extent of the risks inherent in the financial instruments. This should help those using the financial statements to tie up the information presented and create a general description surrounding the nature and extent of the risks stemming from these financial instruments. In addition, the request for information concerning financial assets that have expired but been renegotiated or impaired has been eliminated as well as that relating to the fair value of collateral.

- IAS 1 – Presentation of Financial Statements: the modification requires that the reconciliation of the variations for each component of the equity be presented in the notes or in the financial statements schedules.

- IAS 27 (2008) – The modifications to IAS 27 mainly involve the accounting treatment of transactions or events that modify the equity investments in subsidiaries and the allocation of the losses of the subsidiary to non-controlling interests.

- IAS 34 – Interim financial reporting: clarification surrounding the additional information that should be presented in the Interim Financial Reporting has been provided by means of several examples.

On October 7, 2010, the IASB published some amendments to IFRS 7 – Financial Instruments: Additional Information, applicable to accounting periods beginning on or after July 1, 2011. The amendments were issued in order to improve understanding of financial asset transfers, including the possible effects of any risk borne by the entity that transferred said assets. The amendments also require more information to be given where a disproportionate amount of said transfers take place at the end of an accounting period. At the reporting date, the competent European Union bodies have not yet completed the necessary endorsement process for the application of these amendments.

On December 20, 2010 the IASB issued a minor amendment to IFRS 1 – First-Time Adoption of International Financial Reporting Standards (IFRS), in order to remove the reference to January 1, 2004 as the date of transition to IFRS, and to provide guidance on presenting financial statements in accordance with IFRS after a period of hyper-inflation. These amendments will apply from July 1, 2011. At the reporting date, the competent European Union bodies have not yet completed the process of endorsement necessary for the application of the aforementioned amendments.

On December 20, 2010 the IASB issued a minor amendment to IAS 12 – Income Taxes, that requires companies to assess the deferred taxes on a continuing operation according to the way in which the carrying amount of the asset is to be recovered (through continued use or through disposal). As a result of this amendment, SIC-21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets will no longer apply. The amendment will apply from January 1, 2012.

At the reporting date, the competent European Union bodies have not yet completed the necessary endorsement process for the application of the aforementioned amendment.

6. Scope of consolidation

The scope of consolidation at December 31, 2010 comprises the following subsidiaries of YOOX S.p.A.:

- YOOX Corporation, formed in 2002 to manage sales activities in the US;

- 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 and D&G;

- Mishang Trading (Shanghai) Co. Ltd, formed in the fourth quarter of 2010 to manage sales in China.

At December 31, 2010 the scope of consolidation includes the following companies:

Company	*Registered offices*	*Share capital at Dec. 31, 2010 (Thousand Euro)*	*Percentage held at Dec. 31, 2010*
YOOX	Via Nannetti,1– 40069 Zola Predosa – Bologna, Italy	518	-
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	1.000	100%

The scope of consolidation has changed since December 31, 2009 as a result of the incorporation of Chinese-registered company Mishang Trading (Shanghai) Co. Ltd, a wholly owned subsidiary of YOOX S.p.A. with share capital of Euro 1,000 thousand, which involved the opening of an office in Shanghai, led by a country manager with a local team, which will deal with technology, purchasing and merchandising, communication and retail marketing, content management, web design and customer care. A logistics centre has also been opened in Shanghai, equipped with digital production studios for cataloguing activities and carrying out photo shoots.

7. Segment reporting (*business lines*)

The Group's operating segments were determined on the basis of the reporting information used by senior management when making strategic decisions. This reporting information, which also reflects the Group's current organisational structure, is based on the various products and services provided and was produced using the accounting standards described above (IFRS).

The operating segments generate revenue from the specific production and sales activities described below:

1. Multi-brand, 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 in 2010 sold and distributed a vast array of fashion and design products in 67 countries. 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 and pet accessories;

   b. thecorner.com is a virtual space launched in February 2008 to market the current season collections of established brands and niche and/or artisan brands with relatively limited distribution, many 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, thecorner.com offered men's clothing only; in September 2009 it launched a women's collection.
   thecorner.com is a virtual space containing mini-shops dedicated to each brand ("shops-in-shop"), 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 Online Stores of some of the leading global fashion brands. The Group is therefore the strategic partner for these brands in this specific sales channel. The goods available in the Online Stores are sold and invoiced directly to end customers by YOOX.

The Group also has a Corporate and Central Services Area that directs and coordinates the Group's activities. This Area also plays a key role in facilitating the operational integration of the various Areas and in supporting the activities directly associated with the operating segments. This Area includes Group management and the administrative, finance and control, legal, general services, human resources, press office, technology, investor relations and internal audit functions.

The Group evaluates the performance of its operating segments according to their operating performance, these being the results generated by ordinary operations.

The segment revenue shown is that 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 shown under "Corporate".

All the income components presented are measured using the same accounting criteria as those adopted to prepare the Group's consolidated financial statements.

Income statement figures for each operating segment for 2010, with a reconciliation of entries with the Group's income statement, is presented below:

Description	*Multi-brand*		*Mono-brand*		*Corporate*		*Group total*	
	2010	*2009*	*2010*	*2009*	*2010*	*2009*	*2010*	*2009*
Segment net revenues	**163,657**	**124,160**	**50,631**	**28,057**			**214,288**	**152,217**
Segment operating profit	**29,135**	**23,703**	**9,058**	**4,356**			**38,194**	**28,059**
Reconciliation with Group results:								
General expenses					(22,148)	(13,838)	**(22,148)**	**(13,838)**
Other depreciation and amortisation not attributable to operating segments					(541)	(450)	**(541)**	**(450)**
Other income and expenses					(497)	(958)	**(497)**	**(958)**
Non-recurring expenses					-	(3,973)	**-**	**(3,973)**
Other items								
Group operating profit/(loss)	**29,135**	**23,703**	**9,058**	**4,356**	**(23,186)**	**(19,219)**	**15,008**	**8,840**
Financial income					986	518	**986**	**518**
Financial expenses					(1,053)	(1,983)	**(1,053)**	**(1,983)**
Profit before tax							**14,941**	**7,375**
Taxes					(5,824)	(3,277)	**(5,824)**	**(3,277)**
Profit for the year							**9,117**	**4,098**

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*	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Segment assets (inventories)	76,311	47,054	-	-	-	-	**76,311**	**47,054**
Other current assets					45,972	44,963	**45,972**	**44,963**
Non-current assets					21,487	10,883	**21,487**	**10,883**
Total Group assets							**143,770**	**102,900**

Inventories at December 31, 2010 solely comprise goods connected to the Multi-brand business line, which are acquired and put up for sale.

8. Information by geographical area

Revenue generated by the Group from transactions with third-party customers breaks down as follows:

Description	***2010***	***2009***
Italy	49.240	39.766
Europe (excluding Italy)	102.989	74.407
North America	42.199	25.735
Japan	13.433	8.847
Other countries	2.250	864
Not country related	4.177	2.598
Total	**214.288**	**152.217**

The item "Not country related" includes payments for setting up and maintaining the Online Stores, revenue generated from the sale of media partnership projects, revenue from web marketing services provided to strategic partners and services provided by Yagency, and revenue generated through alternative channels. 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 2010 and in 2009, revenue generated from transactions with the largest third-party customer did not exceed 10% of the Group's total revenue.

Total non-current assets, excluding deferred tax assets, in Italy and the rest of the world are as follows:

Description	***2010***	***2009***
Non-current assets – Italy	15,423	6,920
Non-current assets – U.S.	447	351
Non-current assets – Japan	105	66
Non-current assets – China	56	-
Total	**16,031**	**7,337**

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

Consolidated income statement

9.1 Net revenues

The Group's net revenues from sales and the provision of services for December 31, 2010 and December 31, 2009 breaks down as follows:

Description	*2010*	*2009*	*Change*
Net revenues from sales	201,903	143,443	58,460
Revenue from the provision of services	12,385	8,774	3,611
Total	**214,288**	**152,217**	**62,071**

Net revenues from sales increased by 40.8%, from Euro 143,443 thousand in 2009 to Euro 201,903 thousand in 2010. Net revenues include all revenue arising from the sale of goods, net of customer discounts and returns.

The marked rise in net revenues from sales in 2010 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 the average value of the order purchased by the client.

For further details on the breakdown of revenue by geographical area and by operating segment, please see Note 7 – Segment reporting and Note 8 – Information by geographical area.

Revenue from the sale of goods is presented net of sales returns, amounting to Euro 72,034 thousand in 2010, or 26.3% of 2010 gross revenue (revenue from the sale of goods before customer returns in 2010) and Euro 52,411 thousand in 2009, or 26.8% of 2009 gross revenue (revenue from the sale of goods before customer returns in 2009). 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 41.2%, from Euro 8,774 thousand in 2000 to Euro 12,385 thousand, in 2010, mainly comprises:

- The recharging of transport services for sales to the end customer (in certain countries the customer also pays for return shipments), net of refunds made if the customer returns the goods sold.
- Revenue from the set-up fees charged to create the Online Stores and fees charged to Strategic Partners in the Mono-brand business line for assistance in maintaining the Online Stores;
- Revenue generated from the sale of media partnership projects and web marketing services.

9.2 Cost of goods sold

The cost of goods sold amounts to Euro 129,864 thousand (60.6% of net revenues) for 2010, compared with Euro 91,897 thousand (60.4% of net revenues) for 2009, representing an increase of Euro 37,968 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	*2010*	*2009*	*Change*
Change in inventories	28,752	8,504	20,248
Purchase of goods	(139,465)	(86,746)	(52,719)
Cost of services	(17,773)	(12,652)	(5,121)
Other costs	(1,379)	(1,003)	(376)
Total	**(129,864)**	**(91,897)**	**(37,968)**

The cost of goods purchased increased by 60.8%, from Euro 86,746 thousand in 2009 to Euro 139,465 thousand in 2010. The cost of goods purchased comprises costs for the procurement of goods for resale and its absolute value directly correlates to volumes sold.

The cost of services increased by 40.5%, from Euro 12,652 thousand in 2009 to Euro 17,773 thousand in 2010. 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 37.5%, from Euro 1,003 thousand in 2009 to Euro 1,379 thousand in 2010. 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 22,048 thousand (10.3% of net revenues) in 2010, compared with Euro 15,935 thousand (10.5% of net revenues) in 2009, an increase of Euro 6,113 thousand.

This cost comprises operational expenses incurred from digital production, cataloguing and quality control, from warehouse logistics, and from customer services, including call centre services and customer care.

The following table shows the breakdown of fulfilment costs:

Description	*2010*	*2009*	*Change*
Cost of services and other costs	(17,213)	(11,584)	(5,629)
Personnel expenses	(4,326)	(3,931)	(395)
Depreciation and amortisation	(509)	(420)	(89)
Total	**(22,048)**	**(15,935)**	**(6,113)**

The cost of services and other costs increased by 48.6%, from Euro 11,584 thousand in 2009 to Euro 17,213 thousand in 2010. They mainly comprise service costs for handling and packaging goods and costs relating to outsourced production processes.

Personnel expenses increased by 10.0%, from Euro 3,931 thousand in 2009 to Euro 4,326 thousand in 2010, as a result of the increase in the number of employees in this area. The item includes Euro 152 thousand (Euro 394 thousand in 2009) relating to the Stock Option plans and the incentive plan. In addition to the cost of employees, personnel expenses also include resources such as interns, contractors and consultants which come under personnel expenses.

9.4 Sales and marketing costs

Sales and marketing costs increased by Euro 7,946 thousand in 2010, to Euro 24,723 thousand (11.5% of revenue), compared with Euro 16,777 thousand (11.0% of revenue) for 2009.

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	*2010*	*2009*	*Change*
Cost of services	(15,115)	(10,659)	(4,456)
Personnel expenses	(7,736)	(4,725)	(3,011)
Depreciation and amortisation	(32)	(30)	(2)
Other costs	(1,840)	(1,363)	(447)
Total	**(24,723)**	**(16,777)**	**(7,946)**

Cost of service increased by 41.8%, from Euro 10,659 thousand in 2009 to Euro 15,115 thousand in 2010. The main components of service costs incurred in 2010 are:

- web marketing costs of Euro 6,306 thousand (Euro 4,506 thousand in 2009). These costs relate to the purchasing of online advertising, the negotiation and implementation of marketing agreements, and the development of new partnerships and the commercial and technical management of existing partnerships, mainly for the Multi-brand business line;

- expenses for credit card transactions totalling Euro 3,592 thousand (Euro 2,555 thousand in 2009);

- import and export duties totalling Euro 3,846 thousand (Euro 2,495 thousand in 2009).

Personnel expenses increased by 63.7%, rising from Euro 4,725 thousand in 2009 to Euro 7,736 thousand in 2010. This was due to the overall impact of the rise in the number of personnel employed in this area, which rose from 83 at December 31, 2009 to 123 at December 31, 2010, with persons based at offices abroad standing at 14 in 2010 (11 in 2009). In 2010, personnel expenses also include Euro 1,163 thousand (Euro 347 thousand in 2009) relating to the Stock Option plans and the Incentive Plan. In addition to the cost of employees, personnel expenses also include resources such as interns, contractors and consultants which come under personnel expenses.

Other costs increased by 34.8%, from Euro 1,363 thousand in 2009 to Euro 1,840 thousand in 2010. This item mainly comprises costs incurred for fraud relating to online sales, which increased from Euro 774 thousand in 2009 to Euro 908 thousand in 2010.

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 8,310 thousand in 2010, coming in at Euro 22,148 thousand, compared with Euro 13,838 thousand in 2009.

General expenses can be broken down as follows:

Description	*2010*	*2009*	*Change*
Cost of services	(10,091)	(6,117)	(3,974)
Personnel expenses	(8,854)	(5,924)	(2,930)
Depreciation and amortisation	(3,203)	(1,733)	(1,470)
Provisions	-	(64)	64
Total	**(22,148)**	**(13,838)**	**(8,310)**

Cost of service increased by 65.0%, from Euro 6,117 thousand in 2009 to Euro 10,091 thousand in 2010. These costs include:

- Legal and administrative consultancy costs of Euro 1,774 thousand (Euro 1,130 thousand in 2009).

- Infrastructure and technology costs and costs relating to communications and image services.

Personnel costs increased by 49.5%, rising from Euro 5,924 thousand in 2009 to Euro 8,854 thousand in 2010. This was due both to the impact of the rise in the number of personnel employed in this area, which rose from 119 at December 31, 2009 to 158 at December 31, 2010, with persons based at offices abroad standing at 4 in 2010 (1 in 2009) and to the increase in the cost of the Stock Option and Incentive plans which went from Euro 910 thousand in 2009 to Euro 2,429 thousand in 2010. In addition to the cost of employees, personnel expenses also include resources such as interns, contractors and consultants which come under personnel expenses.

Depreciation and amortisation increased by 84.8%, from Euro 1,733 thousand in 2009 to Euro 3,203 thousand in 2010.

Provisions decreased from Euro 64 thousand in 2009 to Euro 0 thousand in 2010. The provisions item refers to estimated losses accrued in the allowance for impairment at year end.

9.6 Other income and expenses

Other income and expenses decreased by Euro 460 thousand in 2010, to a total of Euro 497 thousand in 2010 from Euro 957 thousand for 2009.

Other income and expenses can be broken down as follows:

Description	*2010*	*2009*	*Change*
Prior year expense	(474)	(645)	171
Theft and losses	(429)	(368)	(61)
Other tax charges	(156)	(128)	(28)
Other expenses	(50)	(81)	31
Provisions for sundry risks	(111)	(259)	148
Prior year income	672	393	279
Reimbursements	51	131	(80)
Total	**(497)**	**(957)**	**460**

Prior year expense decreased by 26.5%, from Euro 645 thousand in 2009 to Euro 474 thousand in 2010. The item includes expenses arising from ordinary operations connected to sales volumes.

The “Theft and losses” item relates to occurrences of theft or loss of goods sent to end customers that are already identified as missing by year end. Other tax charges increased by 21.9%, from Euro 128 thousand in 2009 to Euro 156 thousand in 2010.

Provisions for sundry risks in 2010 relate to the estimated charge incurred due to theft and loss of goods not identified as missing at year end.

Prior year expense increased by 71.0%, from Euro 393 thousand in 2009 to Euro 672 thousand in 2010. The item includes income primarily arising from ordinary operations connected to sales volumes.

9.7 Non-recurring expenses

Non-recurring expenses can be broken down as follows:

Description	*2010*	*2009*	*Change*
Losses due to relocation/fire	-	(23)	23
IPO expenses	-	(3,950)	3,950
Total	**-**	**(3,973)**	**3,973**

No non-recurring expenses were incurred in 2010.

Of the increase in this item in 2009, Euro 3,950 thousand related to expenses incurred for the IPO process for the purpose of listing the Company’s shares on the Italian stock exchange managed by Borsa Italiana S.p.A. As set out under IAS 32, costs amounting to Euro 2,341 thousand incurred for the listing process and relating

directly to the planned increase in equity, since they pertained directly to the public offering, were posted directly as equity transactions on materialisation of the cash flows arising from the successful completion of the process, which took place in the fourth quarter 2009. The portion of costs not pertaining to the public offering was posted to the income statement for 2009.

9.8 Operating profit

As required by IAS 1, the following is a breakdown of costs by nature used to determine the operating profit.

Description	*2010*	*2009*	*Change*
Net revenues	214,288	152,217	62,071
Change in inventories	28,752	8,504	20,248
Purchase of goods	(139,465)	(86,746)	(52,719)
Services	(60,191)	(40,668)	(19,523)
Personnel expenses	(20,916)	(14,580)	(6,336)
Depreciation, amortisation and impairment losses	(3,744)	(2,246)	(1,499)
Other costs and revenues	(3,717)	(7,641)	3,924
Operating profit	**15,008**	**8,840**	**6,168**

Operating profit totalled Euro 8,840 thousand in 2009 and Euro 15,008 thousand in 2010, representing 5.8% of net revenues in 2009 and 7.0% in 2010. This significant increase was due to improved profitability on the back of the marked rise in volumes and the consequent better absorption of fixed costs.

The difference of Euro 505 thousand between the “change in inventories” (equal to Euro 28,752 thousand) and “Total inventories” between 2010 and 2009 (equal to Euro 29,257 thousand) is mainly due to the consolidation currency effect amounting to Euro 480 thousand and the classification of the differential for the “packaging inventories” amounting to Euro 136 thousand 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 2010, unused leave and accruals to legal reserves required under collective agreements, 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 Incentive Plan, between the allocation and vesting dates, with a direct balancing entry in equity and personnel liabilities.

The headcount totalled 372 at December 31, 2010, compared with 287 at December 31, 2009, and breaks down as follows[20]:

Description	*Dec. 31, 2010*	*Dec. 31, 2009*
Managers	16	14
Junior managers	30	19
White-collars and trainees	300	236
Abroad	26	18
Total	**372**	**287**

A 30% increase in headcount was therefore registered at Group level at the end of 2010 by comparison with the previous year.

[20] The headcount does not include the Chief Executive Officer of YOOX S.p.A., interns or contractors not employed by the Group.

9.9 Financial income and expenses

Financial income increased from Euro 518 thousand in 2009 to Euro 986 thousand in 2010.

The following table shows the breakdown of financial income:

Description	*2010*	*2009*	*Change*
Exchange rate gains	740	326	414
Interest income on current account	48	81	(33)
Other financial income	198	111	87
Total	**986**	**518**	**468**

Exchange rate gains increased from Euro 326 thousand in 2009 to Euro 740 thousand in 2010. They mainly relate to translation of items to US dollars and Japanese yen and are strictly connected to the ordinary sale and purchase of goods.

Other financial income rose from Euro 111 thousand in 2009 to Euro 198 thousand in 2010. The balance at December 31, 2010 is made of up rebates cashed from the sale of cash funds and deposit certificates opened and surrendered in the reference year and from the fair value recognition of Repurchase Agreements still in force at December 31, 2010 totalling Euro 82 thousand.

Financial expenses decreased from Euro 1,983 thousand in 2009 to Euro 1,053 thousand in 2010.

The following table shows the breakdown of financial expenses:

Description	*2010*	*2010*	*Change*
Exchange rate losses	(684)	(754)	70
Interest expense	(95)	(735)	640
Other financial expenses	(274)	(494)	220
Total	**(1,053)**	**(1,983)**	**930**

Exchange rate losses, realised and unrealised, fell from Euro 754 thousand in 2009 to Euro 684 thousand in 2010. They mainly relate to translation of items to US dollars and Japanese yen and are strictly connected to the ordinary sale and purchase of goods.

Interest expense decreased by 87.1%, from Euro 735 thousand in 2009 to Euro 95 thousand in 2010. This decrease was due mainly to the repayment in full of the syndicated loan on December 15, 2009.

Other financial expenses decreased from Euro 494 thousand in 2009 to Euro 274 thousand in 2010. These expenses relate to the issuing by banks of sureties for third parties in the interest of the Group. This item includes premiums paid on exchange rate hedging contracts, as well as the fair value recognition of these premiums.

9.10 Tax

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

Description	*2010*	*2009*	*Change*
Current corporate income tax – Parent (1)	(2,941)	(3,079)	138
Current regional income tax – Parent (2)	(1,107)	(761)	(346)
Current income tax – foreign companies	(3,769)	(1,058)	(2,711)
Deferred taxes	1,993	1,621	372
Total	**(5,824)**	**(3,277)**	**(2,547)**

(1) IRES: Imposta sul Reddito delle Società (Corporate or Company Tax)
(2) IRAP: Imposta Regionale sulle Attività Produttive (Regional Tax on Production Activities)

The Group has incurred a greater tax burden in absolute terms compared with the situation at December 31, 2009. Current taxes have increased from Euro 4,898 thousand to Euro 7,817 thousand.

The IRAP tax burden rose for the Parent, from Euro 761 thousand at December 31, 2009 to Euro 1,107 thousand at December 31, 2010. The IRES tax burden for the Parent totalled Euro 2,941 thousand at December 31, 2010, compared with Euro 3,079 thousand at December 31, 2009.

The Group's foreign companies had a tax liability of around Euro 3,769 thousand at December 31, 2010: the tax liability increased due to higher taxable profits resulting from growth in operating performance for 2010 compared with 2009.

The Group also recognised deferred tax assets totalling Euro 4,945 thousand and deferred tax liabilities of Euro 72 thousand. Deferred tax assets of Euro 2,923 thousand and deferred tax liabilities of Euro 43 thousand that were recognised in 2009 were also reversed.

It should also be pointed out that the amount in the profit and loss account does not include the Euro 403 thousand of deferred taxes 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 the fiscal year 2009.

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)	*2010*	*2009*
Profit before tax	14,941	7,375
Rate	27.50%	27.50%
Theoretical tax	4,109	2,028
Effective tax	7,817	3,277
Difference	**3,708**	**1,249**
Effects attributable to Parent		
IRAP	1,107	760
Permanent taxes	263	1,724
Use of tax losses carried forward	-	(61)
Deferred taxes	(223)	(1,476)
Total effects attributable to Parent	**1,147**	**946**
Effects attributable to foreign companies and differential with respect to the tax rate in effect in Italy	**2,561**	**303**
Total difference	**3,708**	**1,249**

9.11 Basic and diluted earnings per share

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

Calculation of basic EPS	*2010*	*2009*
Basic earnings	9,117	4,098
Average number of ordinary shares outstanding	51,212,652	42,386,591
Basic EPS	**0.18**	**0.10**

Calculation of diluted EPS	*2010*	*2009*
Basic earnings	9,117	4,098
Average number of ordinary shares outstanding	51,212,652	42,386,591
Average number of shares granted without consideration	1,516,808	6,941,461
Total	52,729,461	49,328,052
Diluted EPS	**0.17**	**0.08**

The average number of shares granted without consideration in 2010 and 2009 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 earnings per share (diluted EPS) given in the table above, the repurchase of 62,000 treasury shares which took place between July 2 and 7, 2010 has been taken into account. The treasury shares repurchased were deducted in the calculation of the average number of ordinary shares in circulation.

Statement of financial position

9.12 Property, plant and equipment

At December 31, 2010, property, plant and equipment totalled Euro 8,395 thousand. The following is a summary of changes therein in 2010:

Description	Historical cost at Dec 31, 2009	Increases	Decreases	Historical cost at Dec. 31, 2010	Acc. depreciation at Dec 31, 2009	Depr..	Utilisation	Acc. depreciation at Dec. 31, 2010	Carrying amount at Dec 31, 2009	Carrying amount at Dec. 31, 2010
Plant and equipment	**1,599**	**306**	**-**	**1,905**	**(773)**	**(267)**	**-**	**(1,040)**	**826**	**865**
Buildings	**1,323**	**117**	**-**	**1,440**	**(643)**	**(201)**	**-**	**(844)**	**680**	**596**
Leasehold improvements	1,323	117	-	1,440	(643)	(201)	-	(844)	680	596
Industrial & commercial equipment	**915**	**192**	**-**	**1,108**	**(494)**	**(163)**	**-**	**(657)**	**421**	**451**
Other assets	**3,367**	**1,504**	**-**	**4,871**	**(1,786)**	**(757)**	**-**	**(2,543)**	**1,582**	**2,328**
Furniture and furnishings	674	163	-	837	(424)	(143)	-	(567)	250	270
Electronic equipment	2,579	1,323	-	3,902	(1,269)	(600)	-	(1,869)	1,310	2,033
Other property, plant and equipment	113	18	-	131	(92)	(14)	-	(106)	21	25
Assets under construction and payments on account	**-**	**4,156**	**-**	**4,156**	**-**	**-**	**-**	**-**	**-**	**4,156**
Total	**7,205**	**6,275**	**-**	**13,479**	**(3,696)**	**(1,388)**	**-**	**(5,084)**	**3,580**	**8,395**

The overall increase of Euro 6,275 thousand in property, plant and equipment was due mainly to “Assets under construction and payments on account” amounting to Euro 4,156 thousand, related to initial investment in the highly automated techno-logistics platform (Euro 3,522 thousand in the fourth quarter of 2010), and to technology infrastructure investments and the refurbishment of the new Milan offices as well as the new building at Zola Predosa into which the Company moved in February 2011, totalling Euro 634 thousand.

Under the scope of the project mentioned above, at December 31, 2010, the YOOX Group has existing commitments to purchase assets for a sum of Euro 9,430 thousand, which will be sustained overall in the years 2011-2016.

The total increase in “Other assets” was due to investment in new servers, PCs and monitors held under finance leases and valued at Euro 869 thousand. The remaining Euro 635 thousand mainly relates to an investment of Euro 454 thousand in data storage and Euro 163 thousand in costs incurred by the Group chiefly to furnish the offices at the Bologna and Milan branches.

The increase of Euro 306 thousand in “Plant and equipment” mainly relates to the acquisition of new electrical equipment and optical readers used at the Bologna site, especially at the Interporto warehouse.

The Euro 117 thousand increase in “Leasehold improvements” is mainly due to permanent refurbishment work on the buildings leased for the branches at which the Group operates.

“Industrial and commercial equipment” increased by Euro 192 thousand during the year, mainly due to the purchase of photographic equipment for the Bologna Interporto warehouse.

Depreciation for the year totalled Euro 1,388 thousand.

At December 31, 2010, there were no liens or encumbrances on the items of property, plant and equipment of the YOOX Group.

Moreover, no impairment losses or revaluations were carried out on items of property, plant and equipment in 2010. In the year under review, no borrowing costs were recognised in connection with assets in the statement of financial position.

9.13 Intangible assets with finite useful life

Intangible assets amounted to Euro 7,129 thousand at December 31, 2010.

The following is a summary of changes in intangible assets with finite useful life in 2010.

Description	Historical cost at Dec 31, 2009	Increases	Decreases	Historical cost at Dec. 31, 2010	Acc. amortisation at Dec 31, 2009	Amort.	Acc. amortisation at Dec. 31, 2010	Carrying amount at Dec 31, 2009	Carrying amount at Dec. 31, 2010
Development costs	**3,944**	**5,361**	**-**	**9,305**	**(1,371)**	**(1,779)**	**(3,150)**	**2,574**	**6,155**
Software and licences	**2,039**	**834**	**-**	**2,873**	**(1,868)**	**(396)**	**(2,264)**	**171**	**609**
Brands and other rights	**141**	**55**	**-**	**197**	**(75)**	**(17)**	**(92)**	**66**	**105**
Trademarks and patents	141	55	-	197	(75)	(16)	(92)	**66**	**105**
Assets under development	**351**	**5,212**	**(5,563)**	**-**	**-**	**-**	**-**	**351**	**-**
Other	**1,353**	**166**	**-**	**1,519**	**(1,094)**	**(165)**	**(1,259)**	**259**	**260**
Other intangible assets	1,353	166	-	1,519	(1,094)	(165)	(1,259)	**259**	**260**
Total	**7,828**	**11,628**	**(5,563)**	**13,894**	**(4,408)**	**(2,356)**	**(6,765)**	**3,420**	**7,129**

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

Development costs

During 2010 this item increased by 5,361 thousand. The Group made a significant investment of Euro 5,018 thousand in development projects with long-term benefits: the remaining Euro 343 thousand arise from the previous year 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: development of e-commerce platform functions, operational development of productivity, and development of security and service continuity.
These costs relate both to internal personnel expenses and to the costs of services provided by third parties. In line with the strategy defined at the end of 2009, 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 834 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

This item has a carrying amount of Euro 105 thousand at December 31, 2010, and increased by Euro 55 thousand during 2010.

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

Assets under development

This item totalled Euro 0 thousand at December 31, 2010. All projects under way during 2010 had been completed by December 31, 2010.

Other intangible assets

“Other intangible assets” increased by Euro 166 thousand.

Amortisation for the year totalled Euro 2,356 thousand.

9.14 Deferred tax assets

Description	*Dec. 31, 2010*	*Dec. 31, 2009*	*Change*
Deferred tax assets	5,456	3,546	1,910
Total	**5,456**	**3,546**	**1,910**

Changes in deferred tax assets during 2010 are shown in the following table:

Description	*Dec. 31, 2009*	*Increases*	*Utilisation*	*Exchange rate effect from consolidation*	*Dec. 31, 2010*
Deferred tax assets	3,546	5,324	(3,460)	46	5,456
Total	**3,546**	**5,324**	**(3,460)**	**46**	**5,456**

The following table shows a breakdown of deferred tax assets at December 31, 2010:

***Description* of taxable item**	*Dec. 31, 2010*	*2010 tax rate*	*Tax recorded in 2010*
Entertainment expenses	13	31.4%	4
Provisions	6,952	Various	2,204
Directors' fees	531	27.5%	146
Unissued credit notes	960	Various%	335
Expenses for 2009 Red Circle share capital increase	61	27.5%	17
Unrealised exchange rate losses	68	Various%	18
2009 IPO costs	3,774	27.5%	1,038
Profit in stock	467	45.0%	210
Other items	3,707	Various	1,484
Total	**16,533**		**5,456**

Deferred tax assets rose by 53.9% from Euro 3,546 thousand at December 31, 2009 to Euro 5,456 thousand at December 31, 2010.

Deferred tax assets at December 31, 2010 were recognised in relation to:

- the allowance for impairment;
- the provisions for obsolete inventories;
- the provisions for risks and charges (provisions for disputes, provisions for fraud and provisions for theft and loss, respectively);
- entertainment expenses for 2007;
- directors' fees unpaid at December 31, 2010;
- 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 during 2009 for the process of listing on the Italian stock exchange organised and managed by Borsa Italiana S.p.A.;

- other deferred tax assets, consisting mainly of royalties re-invoiced by the Parent, YOOX S.p.A., to the subsidiary, YOOX Corp..

Deferred tax assets posted to allowances for impairment, provisions for obsolete inventories and provisions for risks and charges also include the amount relating to the provisions accrued by the Group's foreign subsidiaries.

The increase in comparison with December 31, 2009 is mainly due to the increase in the provisions for obsolete inventories, provisions for risks and charges, and the increase in royalties re-invoiced by the Parent, YOOX S.p.A., to the subsidiary, YOOX Corp., in line with the considerable increase in the subsidiary's turnover of business, the effect of which is included under “Other items” in the above table.

9.15 Other non-current financial assets

Other non-current financial assets totalled Euro 507 thousand at December 31, 2010 (Euro 409 thousand at December 31, 2009) and mainly relate to guarantee deposits, as broken down below:

Description	*Dec. 31, 2010*	*Dec. 31, 2009*	*Change*
Guarantee deposits	191	115	76
Deposit paid to Paymentech US	299	278	21
Restricted deposit – JP Morgan	17	16	1
Total	**507**	**409**	**98**

Guarantee deposits at of December 31, 2010 relate to the signing of rental contracts and contracts for the supply of electricity and gas, and to the existing relationships with Paymentech relating to retentions to guarantee the repayments due for returns made against sales. During 2010 there was an increase of Euro 98 thousand, or 24%. Of this increase, Euro 28 thousand related to the incorporation in the fourth quarter of 2010 of the Chinese-registered company Mishang Trading (Shanghai) Co. Ltd, a wholly owned subsidiary of the Parent, YOOX S.p.A. Other non-current financial assets are due over more than 5 years.

9.16 Inventories

Description	*Dec. 31, 2010*	*Dec. 31, 2009*	Change
Inventories	76,311	47,054	29,257
Total	**76,311**	**47,054**	**29,257**

Inventories at December 31, 2010 and December 31, 2009 break down as follows:

Description	*Dec. 31, 2010*	*Dec. 31, 2009*	*Change*
Inventories of raw materials, consumables and supplies	376	240	136
Total	**376**	**240**	**136**
Finished products and goods	81,980	51,075	30,905
Provision for obsolete finished products and goods	(6,045)	(4,261)	(1,784)
Total	**75,935**	**46,814**	**29,121**
Total inventories	**76,311**	**47,054**	**29,257**

Inventories rose by 62.2%, from Euro 47,054 thousand at December 31, 2009 to Euro 76,311 thousand at December 31, 2010, and relate to goods that have been purchased for subsequent resale online.

84% of the carrying amount of inventories, including the write-down provision, at December 31, 2010, consists of goods already for sale (relating to the two 2010-2011 Fall/Winter and 2011 Spring/Summer collections) and to goods purchased and destined for sale in subsequent months (2011-2012 Fall/Winter collection).

Goods from previous collections and/or obsolete goods are written down with a specific provision for obsolete inventories, calculated using the estimated realisable value of the goods.

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

Description	*Dec. 31, 2009*	*Increases*	*Decreases*	*Exchange rate effect from consolidation*	*Dec. 31, 2010*
Provision for obsolete inventories	4,261	1,699	-	85	6,045
Total	**4,261**	**1,699**	**-**	**85**	**6,045**

The recognised provision for obsolete inventories has a carrying amount deemed appropriate for the actual quantities of obsolete or slow-moving goods on hand.

9.17 Trade receivables

The breakdown of trade receivables at December 31, 2010 is as follows:

Description	*Dec. 31, 2010*	*Dec. 31, 2009*	*Change*
Due from customers	3,963	3,396	567
Other trade receivables	5,501	3,569	1,932
Allowance for impairment	(80)	(222)	142
Total	**9,384**	**6,743**	**2,641**

The receivables due from customers are all due 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, set-up fees paid to the Group by Strategic Partners for whom the Group designs and creates Online Stores. They are measured according to fees accrued in the year based on the stage of service completion.

The table below shows changes in the allowance for impairment in 2010:

Description	*Dec. 31, 2009*	*Increases*	*Decreases*	*Dec. 31, 2010*
Allowance for impairment	222	-	(142)	80
Total	**222**	**-**	**(142)**	**80**

The allowance for impairment covers specific risks relating to unpaid receivables and other receivables not considered recoverable. Provisions made during the year adjust the receivables to their estimated realisable value. It was not necessary to make any further provisions to the allowance for impairment in 2010, but the allowance was used as a result of the “write-off” of several receivables that had already been impaired.

Pursuant to IFRS 7, Note 10 provides information on the maximum credit risk classed according to due dates, gross of the allowance for impairment.

9.18 Other current assets

Description	*Dec. 31, 2010*	*Dec. 31, 2009*	*Change*
Other current assets	7,318	3,213	4,105
Total	**7,318**	**3,213**	**4,105**

The following is a breakdown of other current assets at December 31, 2010:

Description	Dec. 31, 2010	Dec. 31, 2009	Change
Other receivables	3,380	1,011	2,369
Allowance for impairment – receivables from others	(221)	(221)	-
Advances to suppliers	513	3	510
Travel and payroll advances to employees	4	-	4
Due from acquirers	1,724	1,197	527
Prepayments and accrued income	988	548	440
Tax receivables	901	659	242
Hedging derivatives	29	16	13
Total	**7,318**	**3,213**	**4,105**

The item “Other receivables” includes:

- mainly credit notes received from suppliers who still need to refund money to the Company and advance payments to suppliers for the purchase of goods for which 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 relates to the amount due from the Greek tax representative, which is deemed unrecoverable.

The change in the allowance for impairment – receivables from others during 2010 is as follows:

Description	Dec. 31, 2009	Increases	Decreases	Dec. 31, 2010
Allowance for impairment – receivables from others	221	-	-	221
Total	**221**	**-**	**-**	**221**

The item “Advances to suppliers” includes payments on account made to providers of services purchased in 2010 for which the providers have yet to provide the service.

The item “Due from acquirers” reflects customer payments already collected by Italian and foreign acquirers but not yet paid over to the Group at December 31, 2010.

The “Prepayments” item mainly comprises costs relating to future years recognised financially in 2010. These are mainly software licence fees, insurance costs, rental costs, prepayments for trademark royalties and prepayments for professional consultancy. The increase on 2009 is in line with the increase in turnover.

Tax receivables, which are all due within one year, mainly comprise VAT receivables.

Description	Dec. 31, 2010	Dec. 31, 2009
Tax receivables	158	48
VAT credit for the year	743	611
Total	**901**	**659**

9.19 Cash and cash equivalents and current financial assets

The breakdown of the item Cash and cash equivalents at December 31, 2010 is as follows:

Description	*Dec. 31, 2010*	*Dec. 31, 2009*	*Change*
Bank and postal accounts	24,180	34,997	(10,817)
Cash and cash equivalents on hand	8	10	(2)
Total	**24,188**	**35,007**	**(10,819)**

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, 2010 is as follows:

Description	*Dec. 31, 2010*	*Dec. 31, 2009*	*Change*
Banca Pop. di Novara securities account	5,000	-	5,000
Amortised cost adjustment of current financial assets	82	-	82
Total current financial assets	**5,082**	**-**	**5,082**

Current financial assets, equal to Euro 5,082 thousand, refer to Repurchase Agreements with a low risk profile and short term (less than twelve months) agreed with major national Credit Institutions with a high credit rating. Investment in these financial assets is one of the reasons for the reduction in cash between December 31, 2009 and December 31, 2010.

The current financial assets held by the Group at December 31, 2010 and classified as “held to maturity” are measured at amortised cost.

For a more detailed analysis of changes in net financial position, see Note 9.22.

9.20 Equity attributable to owners of the Parent

The breakdown of changes in equity at December 31, 2010 is presented in a separate table.

The share capital of Euro 518 thousand at December 31, 2010 (Euro 504 thousand at December 31, 2009) increased over the course of 2010 following the exercise of stock options by beneficiaries. The Board of Directors resolved to allocate 564,200 ordinary shares to certain beneficiaries of 10,850 options arising from certain stock option plans on January 18, 2010, 119,600 ordinary shares to a beneficiary of 2,300 options arising from a stock option plan on May 11, 2010, 174,200 YOOX S.p.A. ordinary shares on August 5, 2010 following the exercise of 3,350 options by a beneficiary, 312,000 YOOX S.p.A. ordinary shares on September 10, 2010 following the exercise of 6,000 options by a beneficiary, and 189,800 YOOX S.p.A. ordinary shares following the exercise of 3,650 options by a beneficiary. The cumulative amount was Euro 14 thousand.

The reserves are composed as follows:

- the share premium reserve was Euro 55,390 thousand at December 31, 2010 (Euro 54,127 thousand at December 31, 2009); this reserve increased over the course of the first half of 2010 following the exercise of stock options on the part of the beneficiaries in question. The Board of Directors resolved to allocate 564,200 ordinary shares to certain beneficiaries of 10,850 options arising from certain stock option plans on January 18, 2010, 119,600 ordinary shares to a beneficiary of 2,300 options arising from a stock option plan on May 11, 2010, 174,200 YOOX S.p.A. ordinary shares on August 5, 2010 following the exercise of 3,350 options by a beneficiary, 312,000 YOOX S.p.A. ordinary shares on September 10, 2010 following the exercise of 6,000 options by a beneficiary, and 189,800 YOOX S.p.A. ordinary shares following the exercise of 3,650 options by a beneficiary. The cumulative amount was Euro 1,397 thousand. The increase in the share premium reserve was recognised net of Euro 134 thousand in deferred tax assets accrued in 2009 and since released pursuant to IAS 32, and totalled Euro 1,263 thousand net of prepaid taxes.

- legal reserve, which totalled Euro 193 thousand at December 31, 2010 (Euro 193 thousand at December 31, 2009), consists of accruals of 5% of Parent profits every year. This reserve did not increase in 2010, since it had reached the limit imposed by Article 2430 of the Italian Civil Code at December 31, 2009 and maintained the same value at December 31, 2010;

- translation reserve, which had a positive balance of Euro 313 thousand at December 31, 2010 (compared with a negative balance of Euro 27 thousand at December 31, 2009), reflects exchange rate differences arising from the translation of financial statements denominated in foreign currency. There was a positive change of Euro 340 thousand in the reserve in 2010;

- reserve for future increases in share capital and share premium reserve, which amounted to Euro 935 thousand at December 31, 2010 (Euro 417 thousand at December 31, 2009), includes liabilities to individuals who had paid to exercise stock options at December 31, 2010, but to whom the Company had not made the corresponding ordinary shares available by the end of the year;

- reserve for purchase of treasury shares totalling Euro (362) thousand (compared with a value of 0 at December 31, 2009). On July 13, 2010, the Company reported that it had started a programme to buy back its treasury shares, implementing the decisions taken by the shareholders' meeting on October 7, 2009 and by the Board of Directors on July 1, 2010. The share buyback programme is aimed at obtaining the necessary shares for its 2009-2014 Incentive Plan for the employees at YOOX S.p.A. and its subsidiaries, which was approved by the shareholders in their meeting of September 8, 2009. To date, the Group has purchased a total of 62,000 ordinary shares of YOOX S.p.A., equal to 0.1214% of the share capital at the time, at an average unit price of Euro 5.836485 per share, including commissions, for a total amount of Euro 361,862.06. The purchase of treasury shares is directly recognised against equity in accordance with IAS 32;

- other reserves, equal to Euro 7,957 thousand at December 31, 2010 (Euro 4,229 thousand at December 31, 2009) only include the reserve for measurement of the stock options at fair value;

- retained earnings (losses carried forward) amount to a loss carried forward of Euro 5,364 thousand at December 31, 2010 (Euro 9,462 thousand at December 31, 2009), down by Euro 4,098 thousand due to the allocation of profit for 2009.

9.21 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, associates, consultants and directors of the Company and its subsidiaries, at December 31, 2010 the Board of Directors had granted the following options, outlined in the table below:

Stock Option plans	*Granted (a)*	*Expired (b)*	*Exercised (c)*	*Total granted, not expired or not exercised (d = a-b-c)*	*Granted, not vested*	*Granted, vested, not exercisable*	*Granted, vested and exercisable*
2001 – 2003	80,575	31,560	37,924	11,091	4,591	0	6,500
2003 – 2005	36,760	3,000	11,247	22,513	22,513	0	0
2004 – 2006	32,319	12,650	4,938	14,731	13,731	0	1,000
2006 – 2008	31,303	200	9,683	21,420	14,703	0	6,717
2007 – 2012	102,600	3,650	12,772	86,178	76,562	4,950	4,666
2009 – 2014	62,850[21]	4,812	0	58,038	58,038	0	0
Totale	**346,407**	**55,872**	**76,564**	**213,971**	**190,138**	**4,950**	**18,883**

[21] Including 963 options corresponding to 50,076 shares granted to a beneficiary and for which the related suspension for the granting was verified on February 1, 2011.

At December 31, 2010, 28,747 options may be granted under the above plans.

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

Exercise prices[22]

	€ 15.91	€ 46.48	€ 59.17	€ 106.50	€ 131.78	€ 277.68	€ 305.24	€ 360.99	€ 406.64	Total options	Share total
2001 – 2003	1,250	5,091	0	4,750	0	0	0	0	0	11,091	576,732
2003 – 2005	0	20,673	0	1,840	0	0	0	0	0	22,513	1,170,676
2004 – 2006	0	10,531	0	2,500	1,700	0	0	0	0	14,731	766,012
2006 – 2008	0	0	21,420	0	0	0	0	0	0	21,420	1,113,840
2007 – 2012	0	0	79,228	6,950	0	0	0	0	0	86,178	4,481,256
2009 – 2014	0	0	0	0	0	42,318	13,002	963	1,755	58,038	3,017,976
Totale	**1,250**	**36,295**	**100,648**	**16,040**	**1,700**	**42,318**	**13,002**	**963**	**1,755**	**213,971**	**11,126,492**

It should be pointed out that:

- on March 11, 2010 the Board of Directors of the Parent approved the regulations for the 2009-2014 *Stock Option* Plan and granted 46,167 options valid for the subscription of 2,400,684 shares at a subscription price per share of Euro 5.34, which is calculated by taking the weighted average of the prices recorded by the shares on the Italian stock exchange organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the Grant Date;

- on July 1, 2010, the Board of Directors of the Parent granted 13,965 options valid for the subscription of 726,180 shares at a subscription price per share of Euro 5.87, which is calculated by taking the weighted average of the prices recorded by the shares on the Italian stock exchange organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the Grant Date;

- on September 23, 2010, the Board of Directors of the Parent granted 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 Italian stock exchange organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the Grant Date. These options were granted on the condition that a working relationship be established between YOOX, or its subsidiaries, and the beneficiary. On February 1, 2011, the related suspension of the granting was suspended;

- on December 16, 2010, the Board of Directors of the Parent granted 1,755 options valid for the subscription of 91,260 shares at a subscription price per share of Euro 7.83, which is calculated by taking the weighted average of the prices recorded by the shares on the Italian stock exchange organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the Grant Date.

Granting of shares

On July 1, 2010, the Board of Directors of the Parent approved the Regulations of the Incentive Plan for 2009-2014 in compliance with the decision of the Shareholders in their Ordinary Meeting on September 8, 2009. To execute the 2009-2014 Incentive Plan Regulations, the Board of Directors approved:

- the granting of 124,436 ordinary shares of the Parent to 25 employees at no charge on July 1, 2010. The proposal for the granting put forward by the Remuneration Committee was approved and the amount to be awarded to employees was also decided.

- the granting of 17,420 YOOX ordinary shares to five employees at no charge on December 16, 2010. The granting was proposed by the Remuneration Committee, which also determined the amount of the bonus to be awarded. Shares granted under this transaction will be subject to the terms and conditions set out in the Plan Regulations, where applicable.

On December 31, 2010, 4 of the 30 employees who were granted options lost this right as they resigned. This involved the expiry of 16,068 ordinary shares granted on July 1, 2010.

[22] The price indicated in the table is the exercise price of the options. To deduct the exercise 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 shareholders in their extraordinary meeting ofSeptember 8, 2009, the recipients 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.

A share purchase programme was set up for this purpose in order to comply with the decision of the Shareholders in their Meeting of 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. In particular and in compliance with the decision of the Board of Directors of July 1, 2010, the programme involves the purchase of YOOX S.p.A. ordinary shares, with no indication of the par value, up to a maximum of 312,000 ordinary shares, equal to 0.6107% of the share capital on the purchase date (from July 2 to July 7, 2010).
At December 31, 2010, the Parent has purchased, through Mediobanca Banca di Credito Finanziaria S.p.A., in the period from July 2, 2010 to July 7, 2010, a total of 62,000 YOOX S.p.A. ordinary shares, representing 0.1198% of the share capital at December 31, 2010, at an average price of Euro 5.836485 per share before fees, for a total of Euro 361,862.06.

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

At a meeting on January 31, 2005, the Board of Directors took full advantage of the powers conferred by the Shareholders in their Extraordinary Meeting of March 22, 2000 and subsequent amendments, pursuant to Article 2443 of the Italian Civil Code, by 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 Shareholders in their Extraordinary Meeting of July 31, 2000 and subsequent amendments, pursuant to Article 2443 of the Italian Civil Code, by increasing the share capital to service the stock option plan via the issue of up to 1,483,924 new shares with an implicit unit price of Euro 0.01, a premium of Euro 0.8839 on each new share, and standard dividend rights. Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline for subscription was set at January 31, 2015, with the provision that, if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

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

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

At a meeting on September 3, 2009, the Board of Directors took full advantage of the powers conferred by the Shareholders in their Extraordindary Meeting of December 2, 2005 and subsequently amended by resolution of the Shareholders in their Extraordinary Meeting of July 12, 2007, pursuant to Article 2443 of the Italian Civil Code, by 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 Shareholders in their Extraordinary Meeting of May 16, 2007, pursuant to Article 2443 of the Italian Civil Code, increasing the share capital – excluding option 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 was established 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 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 the Extraordinary Meeting of September 8, 2009 the Shareholders resolved on a share capital increase through payment in one or more tranches, subject to commencement of trading in shares of the Company on the STAR segment of the Italian stock exchange 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 new shares will carry the same dividend rights as the other shares outstanding at the time of their subscription. The issue price 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 price 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.

Implementation of the stock option plans and Company incentive plan 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, contractors, consultants and directors of the Company and its subsidiaries, the following options were approved at December 31, 2010:

- 21,463 options, corresponding to 1,116,076 shares, by the Shareholders in their Extraordinary Meeting of March 22, 2000, as subsequently amended by the Shareholders in their Extraordinary 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 Shareholders in their Extraordinary Meeting of July 31, 2000, as subsequently amended by the Shareholders in their Extraordinary 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 Shareholders in their Extraordinary Meeting of July 18, 2002, as subsequently amended by the Shareholders in their Extraordinary Meeting of December 2, 2005 (2003-2005 plan);

- 19,669 options, corresponding to 1,022,788 shares, by the Shareholders in their Extraordinary Meeting of December 10, 2003, as subsequently amended by the Shareholders in their Extraordinary Meeting of December 2, 2005 (2004-2006 plan);

- 31,303 options, corresponding to 1,627,756 shares, by the Shareholders in their Extraordinary Meeting of December 2, 2005 (2006-2008 plan);

- 104,319 options, corresponding to 5,424,588 shares, by the Shareholders in their Extraordinary Meeting of May 16, 2007 (2007-2012 plan)[23];

- 4,732,000 shares, by the Shareholders in their Extraordinary Meeting of September 8, 2009, of which up to 85,000 options (2009-2014 plan) are valid for subscription of 4,420,000 shares and up to 312,000 shares may be granted (2009-2014 incentive plan).

[23] The Board of Directors took partial advantage of the powers conferred by the Shareholders in their Extraordinary Meeting, 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.

9.22 Medium-long term financial liabilities – bank loans and other liabilities

Liabilities to banks and other lenders amounted to Euro 6,446 thousand at December 31, 2010 and Euro 1,006 thousand at December 31, 2009.

Description	*Dec. 31, 2010*	*Dec. 31, 2009*	*Change*
Medium-long term financial liabilities	846	693	153
Bank loans and other liabilities	5,600	313	5,287
Total	**6,446**	**1,006**	**5,440**

The following table shows the breakdown of debt at December 31, 2010:

Lending institution	*Amount*	*Nature of facility*	*Rate*	*Current portion*	*Non-current portion*
Syndicated bank loan	5,030	Stand-by revolving loan	Euribor 3m + 1.25%	5,030	-
Simest S.p.A.	386	Subsidised loan Law 394/81	1.38%	154	232
BNP Paribas finance leases	1,030	Finance leases	Euribor 3m + 2% non-indexed	416	614
Total	**6,446**			**5,600**	**846**

The syndicated bank loan (lead bank: Unicredit Corporate Banking S.p.A.) was fully repaid on December 15, 2009.

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.

The contract in force to December 31, 2009 can be described as follows:

The syndicated loan consists of a line of credit amounting to Euro 21,000 thousand in total (hereinafter the "Credit Line"), issued by UniCredit Corporate Banking S.p.A., Banca Nazionale del Lavoro S.p.A. and Banca Popolare di Novara S.p.A. (as the lending banks) in the form of an unsecured loan agreement. The purpose of the loan is to strengthen the Company's financial resources, to repay short-term debt and to support business operations for which the Company requires working capital. The lending banks are equal participants in the Credit Line (33.3% of the total amount) with equal and separate liability.

In summary, the Credit Line has the following characteristics:

1. a maximum principal of Euro 21,000 thousand;
2. the sum is available in one or more drawdowns, up to the maximum amount of Euro 21,000 thousand. Availability is replenished at the due dates of the individual drawdowns;
3. interest is due on the sums utilised and not yet repaid at an annual nominal interest rate obtained by increasing the 3m or 6m Euribor by 1.50 percentage points, rounding up to the nearest 0.05 per cent (hereinafter the "Contractual Rate");
4. the overdue interest rate is equal to the Contractual Rate in effect, plus 2.00 percentage points. This interest will not be subject to periodic discounting;
5. obligatory early repayment. The request for obligatory early repayment must be drawn up jointly by the banks in the event that, for example, the Company carries out a share capital increase when it lists on the stock exchange. In this event, the repayable amount will be 10% of the total amount of the Credit Line;
6. termination of the contract. The request for termination of the contract must be drawn up jointly by the banks, pursuant to Article 1456 of the Italian Civil Code, when there is any compliance failure on the part of the Company in relation to terms including the allocation of the Credit Line, regular payment of instalments and any other sums owing, documents provided to the bank and any contractual obligations undertaken.

The due date of the Credit Line (hereinafter the "Due Date") is June 15, 2013. The Group will make provision for the repayment of the Credit Line by the Due Date, including the principal, interest and any other ancillary payments. The Credit Line was fully repaid on December 15, 2009.

The above loan agreement stipulates that the Company, for the term of the agreement, must meet determined financial convenant with different figures required under the contract for each year of the agreement. The indicators will be calculated at the end of each business year.

To guarantee the syndicated loan, YOOX S.p.A. has agreed to comply with the following financial covenants in 2010:

- A leverage ratio (net financial position/equity) of less than 1.50.
- A debt cover ratio (net financial position/gross operating profit) of less than 2.25.
- An inventory ratio (inventories/net financial position) of more than 1.50.

The covenants were calculated until December 31, 2009 with reference to the consolidated annual financial statements prepared under Italian GAAP and using the following definitions:

- Net Financial Position: Loans net of available cash.
- Gross operating profit: Total revenue net of purchases, external service costs and other costs, and net of personnel expenses in accordance with an income statement format agreed with the syndicate banks.
- Equity: Item A) in the liabilities section of the statement of financial position.
- Inventories: Item C I) of the assets section of the statement of financial position.

Full compliance with all the above-mentioned financial covenants will be verified within 30 (thirty) days of the approval of each individual financial statements and will be performed by the lead bank.

Failure to comply (or even only “incomplete” compliance) with the obligations, even only once and severally, will give the “Lead Bank” the right to reduce or suspend the use of the loan in question, as well as prohibit further use, without prejudice, in such a case, to the Banks’ power, through their joint agreement, to terminate the contract (in other words to declare that the term has expired), and where, in the meantime, the Company has not effectively implemented a definitive solution for this contractual non-fulfilment.

Changes due to the agreement amending the stand-by revolving syndicated loan agreement of June 16, 2008 are reported below. The amending agreement is dated February 17, 2010 and was effective from December 15, 2009.

a) In accordance with Article 6-ter of the Contract (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 financed amount, 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 modalities of use) of the Contract, at 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 a multiple of this amount.

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, at December 15, 2009, the repayment/reduction plan described under Article 3 (Modalities and terms of repayment) of the Contract is amended as follows:

Repayment plan

Date	*Amount*	*Residual credit line*
Dec. 15, 2009		13,125,000
Jun. 15, 2010	1,875,000	11,250,000
Dec. 15, 2010	1,875,000	9,375,000
Jun. 15, 2011	1,875,000	7,500,000
Dec. 15, 2011	1,875,000	5,625,000
Jun. 15, 2012	1,875,000	3,750,000
Dec. 15, 2012	1,875,000	1,875,000
Jun. 15, 2013	1,875,000	-

c) In view of points (a) and (b) above, the parties hereby recognise and state that Article 3-bis (Obligatory early repayment) of the Contract will no longer apply and shall be deemed to be annulled as of December 15,

2009. Any reference made in the Contract or its appendices to the aforementioned Article 3-bis or to its content shall therefore be considered inapplicable.

d) As a partial amendment to Article 14 (Covenants) of the Contract, the banks and the Company acknowledge 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 Contract, will have the following new definitions:

   1) NFD or NFP (Net Financial Debt or Net Financial Position): defined as the sum of cash and cash equivalents, other current financial assets, net of bank loans and other financial liabilities falling due within one year, other current financial liabilities and medium-long term financial liabilities. Net financial debt is not recognised as an accounting item under Italian GAAP or the IFRS endorsed by the European Union.

   2) EBITDA or GOP (Gross Operating Profit): defined as 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 Contract 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, 2010, and at December 31, 2009, 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 contract provisions i) and m/3) and to replace them with the following provisions:

i) The Company undertakes to inform the lead bank in writing of the assumption of financial debt 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 contracted; m/3) the Company will have the right to contract financial debt 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, 2010.

Description	***Dec. 31, 2010***	***Dec. 31, 2009***	***Change***
Cash and cash equivalents	24,188	35,007	(10,819)
Current financial assets	5,082	-	5,082
Other current financial assets	29	16	13
Bank loans and other liabilities	(5,600)	(313)	(5,287)
Other current financial liabilities	(26)	(20)	(6)
Net current financial position	**23,672**	**34,690**	**(11,018)**
Medium-long term financial liabilities	(846)	(693)	(153)
Net financial position (1)	**22,826**	**33,997**	**(11,171)**

(1) As defined in CONSOB communication DEM/6064293 of July 28, 2006 in accordance with CESR recommendations of February 10, 2005.

During 2010, the Group's net financial position worsened by Euro 11,171 thousand, from Euro 33,997 thousand at December 31, 2009 to Euro 22,826 thousand at December 31, 2010.

9.23 Employee benefits

This item refers exclusively to the post-employment benefits recorded by the Parent in accordance with current legislation. Changes in defined benefit plans for employees in 2010 are summarised below:

Description	*Dec. 31, 2009*	*Provisions*	*Utilisation*	*Dec. 31, 2010*
Employee benefits	219	33	(39)	213

The main technical, demographic and economic parameters used in the actuarial calculation of the liability for employee benefits at December 31, 2010 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	10%
Discount rate (euro swap)	Government rate curve at December 31, 2010
Maximum % of accrued post-employment benefits requested in advance	70%
Probability of requests for advances	3.3%
Annual increase in the cost of living	2% per year

9.24 Deferred tax liabilities

The following table shows the breakdown of, and changes in, deferred tax liabilities at December 31, 2010:

Description	*Dec. 31, 2009*	*Increases*	*Utilisation*	*Dec. 31, 2010*
Deferred tax liabilities	43	69	(43)	69
Total	**43**	**69**	**(43)**	**69**

***Description* of taxable item**	*Dec. 31, 2010*	*2010 tax rate*	*Tax recorded in 2010*
Financial instruments at fair value	7	27.5%	2
Employee benefits	26	27.5%	7
Unrealised exchange rate gains	15	27.5%	4
IAS 17 effect (finance leases)	106	27.5%	29
Progress of set-up fees for Online Stores	24	27.5%	7
Fair value of investments in current financial assets	73	27.5%	20
Total	**251**		**69**

9.25 Provisions for current and non-current risks and charges

This item reflects provisions for estimated current liabilities at December 31, 2010, the timing and extent of which cannot be determined. The following table shows the breakdown of the item and changes in 2010:

Description	Dec. 31, 2009	Increases	Adjustments	Utilisation	Dec. 31, 2010
Provision for theft and loss	123	106	-	(133)	95
Provision for fines and taxation	18	-	-	(18)	-
Provision for fraud	319	433	-	(137)	615
Other provisions for risks and charges	78	10	157	(78)	167
Total provisions for current risks and charges	**538**	**549**	**157**	**(366)**	**877**
Provision for disputes	37	-	-	(37)	-
Other provisions for risks and charges	273	-	(157)	-	116
Total provisions for non-current risks and charges	**310**	**-**	**(157)**	**(37)**	**116**
Total provisions for risks and charges	**848**	**549**	**-**	**(403)**	**993**

During the year, Euro 133 thousand from the provision for theft and loss was used, and it was therefore deemed appropriate to proceed with a further accrual of Euro 106 thousand, following a new estimate.

The provision set up in 2009 for fines and taxation on YOOX Corp. was fully utilised.

During the year, Euro 137 thousand was utilised from the provision for fraud, and it was therefore deemed appropriate to proceed with a further accrual of Euro 433 thousand, to cover against fraud committed via online sales paid for by credit card. This provision was calculated taking into account the historical incidence of the value of fraud in relation to the value of sales.

Following the end of a dispute with a former employee, resulting in said employee being prevented from claiming any sum from the YOOX Group, the provisions for disputes – which amounted to Euro 37 thousand on December 31, 2009 – was released entirely.

Other provisions for current and non-current risks and charges includes provisions for risks in relation to probable liabilities, which are recognised pursuant to IAS 37.

9.26 Trade payables

The following table shows a breakdown of trade payables at December 31, 2010:

Description	*Dec. 31, 2010*	*Dec. 31, 2009*	*Change*
Due to suppliers	37,059	21,166	15,893
Credit notes to be received from suppliers	(680)	(1,166)	486
Invoices to be received from suppliers	12,517	7,218	5,299
Due to credit card operators	47	36	11
Total	**48,943**	**27,254**	**21,689**

Trade payables increased by 79.6%, from Euro 27,254 thousand at December 31, 2009 to Euro 48,943 thousand at December 31, 2010.

Trade payables are all liabilities relating to purchases of goods and services from the Group’s suppliers. They are recorded at their nominal amount. Since they are all due within one year, none are subject to discounting. The “Due to suppliers” item includes all amounts due to suppliers, both for the supply of finished products and raw materials and 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.

This resulted in a corresponding increase in debt. The increase as of December 31, 2010 is also due to the effect of revised payment terms with the Company's main suppliers.

9.27 Tax liabilities

Current tax liabilities relate exclusively to the current income tax liability of the Parent and its foreign subsidiaries.

Description	*Dec. 31, 2010*	*Dec. 31, 2009*	*Change*
Current income taxes – IRES and IRAP – Parent	341	3,358	(3,017)
Current income taxes – foreign companies	2,100	555	1,545
Total	**2,441**	**3,913**	**(1,472)**

During the course of 2010 there was a fall of Euro 1,472 thousand, or 37.6%, from Euro 3,913 thousand at December 31, 2009 to Euro 2,441 thousand at December 31, 2010 as a result of joint payment of the 2009 balance and the first 2010 payment on account made in June 2010.

9.28 Other liabilities

The following table shows a breakdown of liabilities at December 31, 2010:

Description	*Dec. 31, 2010*	*Dec. 31, 2009*	*Change*
Due to social security institutions	1,435	1,006	429
Credit notes to be issued to customers	5,367	4,459	908
Due to directors	545	210	335
Due to employees	1,756	1,477	279
Due to tax representatives	3,300	2,531	769
Other liabilities	3,477	5,824	(2,347)
Accrued expenses and deferred income	88	33	55
Total	**15,968**	**15,540**	**428**

The item "Due to social security institutions" reflects contributions payable to social security institutions, mainly on the amounts paid to employees at year end.

The item "Due to tax representatives" reflects indirect tax liabilities. Sales carried out in European countries during 2010 and 2009 exceeded the threshold set in Article 41.1.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.

The "Other liabilities" item includes credit notes to be issued to customers, since these represent a known liability for sales returns made in 2010. The item increased in 2010 in line with the increase in sales volumes on the previous year.

The substantial change in "Other liabilities" compared with December 31, 2009 is mainly due to payment in the first half of 2010 of Euro 3,645 thousand of liabilities for withholding tax on employees and consultants deriving from the sale of shares by shareholders and the exercising of stock options by some beneficiaries at December 31, 2009.

Consolidated statement of cash flows

9.29 Profit for the year, taxes for the year, income taxes paid

Details of consolidated profit for the year, taxes for the year, depreciation and amortisation and other non-monetary income components are provided in Notes 9.3, 9.4, 9.5, 9.10 and 9.11 respectively.

In relation to the tax charge in 2010 of Euro 5,824 thousand (Euro 3,277 thousand in 2009), tax payments amounting to Euro 9,180 thousand were made (Euro 2,276 thousand in 2008) 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.

9.30 Other net non-monetary income and expenses

Other net non-monetary income and expenses include non-monetary items on the income statement other than from income tax, depreciation and amortisation and provisions that are recognised 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 foreign exchange fluctuations and recognised interest income and expense. In relation to these last items, interest received and interest paid are presented separately.

9.31 Change in trade receivables, inventories and trade payables

This item reports the use or generation of cash relative to net working capital, i.e. changes in trade receivables, inventories and trade payables. Changes in trade payables refer exclusively to supplies of raw materials, goods and services, excluding the change in payables to suppliers of investments, which are reported in the section of the statement of cash flows from or used in investing activities.

9.32 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.

9.33 Acquisition of property, plant and equipment and proceeds from the sale of property, plant and equipment

Cash flow for the acquisition of property, plant and equipment reflects both expenditure to replace plants and expenditure on new plants. The amount reported also includes the change in investment liabilities.

9.34 Acquisition of other intangible assets

Cash flow for acquisition of other intangible assets relates to investments in licences and software and the capitalisation of development costs (for a breakdown of these, see Note 9.13). Capitalisations are classified among cash flow from/(used) in investing activities since they involve a cash outflow associated with the internal costs incurred (mainly personnel expenses). These outflows were broadly in line with costs capitalised during the year.

9.35 Acquisition of and proceeds from sale of other non-current financial assets

Other non-current financial assets total Euro 507 thousand at December 31, 2010 (Euro 409 thousand at December 31, 2009) and mainly relate to guarantee deposits.

Guarantee deposits at December 31, 2010 relate to 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. During 2010 there was an increase of Euro 98 thousand, or 24%. Of this increase, Euro 28 thousand related to the incorporation in the fourth quarter of 2010 of the Chinese-registered company Mishang Trading (Shanghai) Co. Ltd, a wholly-owned subsidiary of the Parent, YOOX S.p.A. Other non-current financial assets are due over more than 5 years.

9.36 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).

9.37 Increase in 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.

9.38 Increase in and repayment of current financial liabilities

The change in current bank exposure is included in the change in current financial liabilities, since these are forms of current 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 additional amendment to IAS 1 – "*Presentation of 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 company.

This disclosure incorporates some of the requirements previously set out under IAS 32 – "*Financial Instruments*: *Disclosure and 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 capital. IFRS 7 and the amendment to IAS 1 came into effect as of January 1, 2007.

In accordance with the requirements of IFRS 7, an analysis of the nature and extent of the risks associated with financial instruments to which the Group is exposed is given below together with 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, 2010 and December 31, 2009, market risk takes the form of currency risk and interest rate risk.

Financial risk deriving from currency fluctuations

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 towards the US dollar, the Japanese yen and the UK pound. An exchange rate gain of Euro 56 thousand was registered for 2010, compared with a loss of Euro 428 thousand in 2009.

Currency transaction risks were hedged in 2010 by forward contracts arranged with the leading domestic and international banks used by YOOX on a daily basis. Outstanding contracts and those negotiated during the year only hedge receivables denominated in US dollars, for the equivalent of Euro 2,220 thousand at December 31, 2010 (Euro 2,312 thousand at December 31, 2009) and in Japanese yen, for the equivalent of Euro 276

thousand (Euro 422 thousand at December 31, 2009). 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 2010.

In 2010, gains on currency transactions came to Euro 23 thousand, compared with a loss of Euro 135 thousand in the previous year.

Some Group companies are located in countries that are not part of the European Monetary Union, in particular the US and Japan. 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. 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. Gains on translation came to Euro 99 thousand in 2010, compared with a loss of Euro 204 thousand in 2009.

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 item "Translation reserve".

The currency risk has been measured using a sensitivity analysis and the potential effects of exchange rate fluctuations on the consolidated financial statements at December 31, 2010 and December 31, 2009 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);
- bank deposits.

The following tables provide a summary of:

a) Exposure to currency risk at December 31, 2010 and December 31, 2009.

Description		**Dec. 31, 2010**		
	USD	**YEN**	**GBP**	**OTHER CURRENCIES**
Trade receivables	2,441	0	588	121
Trade payables	(31)	(18)	(1,417)	(387)
Cash and cash equivalents	22	893	262	0
Gross exposure in the statement of financial position	**2,433**	**875**	**(566)**	**(266)**
Hedging derivatives	(2,220)	(276)	0	0
Net exposure	**213**	**599**	**(566)**	**(266)**

Description		**Dec. 31, 2009**		
	USD	**YEN**	**GBP**	**OTHER CURRENCIES**
Trade receivables	4,108	1,309	442	-
Trade payables	(23)	-	(809)	(250)
Cash and cash equivalents	24	-	154	-
Gross exposure in the statement of financial position	**4,109**	**1,309**	**(213)**	**(250)**
Hedging derivatives	(2,312)	(422)	-	-
Net exposure	**1,797**	**887**	**(213)**	**(250)**

b) The sensitivity analysis at December 31, 2010 and at December 31, 2009, assuming an exchange rate variation during the two years of +10% and -10%.

Analysis/measurement date		**Dec. 31, 2010**		
Order	**Currency**	**ECB exchange rate**	**10%**	**(10,0%)**
1^	**USD**	1.3362	1.4968	1.2026
2^	**YEN**	108.65	119.52	97.79
3^	**GBP**	0.8608	0.9468	0.7747

1st currency	**10%**	**(10.0%)**
Trade receivables	(222)	271
Trade payables	3	(3)
Cash and cash equivalents	(2)	2
	(221)	**270**
2nd currency	**10%**	**(10.0%)**
Trade receivables	0	0
Trade payables	2	(2)
Cash and cash equivalents	(81)	99
	(80)	**97**
3rd currency	**10%**	**(10.0%)**
Trade receivables	(53)	65
Trade payables	129	(157)
Cash and cash equivalents	(24)	29
	51	**(63)**
TOTAL EFFECT	**10%**	**(10.0%)**
	(249)	**305**

Analysis/measurement date		Dec. 31, 2009		
Order	**Currency**	**ECB exchange rate**	**10%**	**(10,0%)**
1st	**USD**	1.4406	1.5847	1.2965
2nd	**YEN**	133.16	146.47	119.84
3rd	**GBP**	0.8881	0.9769	0.7993

1st currency	**10%**	**(10%)**
Trade receivables	(373)	456
Trade payables	2	(3)
Cash and cash equivalents	(2)	3
	(373)	**456**
2nd currency	**10%**	**(10%)**
Trade receivables	(119)	145
Trade payables	-	-
Cash and cash equivalents	-	-
	(119)	**145**
3rd currency	**10%**	**(10%)**
Trade receivables	(40)	49
Trade payables	74	(90)
Cash and cash equivalents	(14)	17
	19	**(24)**
TOTAL EFFECT	**10%**	**(10%)**
	(473)	**577**

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

Appreciation of the Euro by 10%

Dec. 31, 2010	**Equity**	**Profit or loss**
Gross exposure in the statement of financial position	-	**(250)**
USD	-	(221)
YEN	-	(80)
GBP	-	51
Hedging derivatives	**-**	**204**
USD	-	179
YEN	-	25
Total	**-**	**(46)**

Depreciation of the Euro by 10%

Dec. 31, 2010	**Equity**	**Profit or loss**
Gross exposure in the statement of financial position	-	**304**
USD	-	270
YEN	-	97
GBP	-	(63)
Hedging derivatives	**-**	**(306)**
	-	(275)
	-	(31)
Total	**-**	**(2)**

Appreciation of the Euro by 10%			*Depreciation of the Euro by 10%*		
Dec. 31, 2009	**Equity**	**Profit or loss**	**Dec. 31, 2009**	**Equity**	**Profit or loss**
Gross exposure in the statement of financial position	-	(473)	**Gross exposure in the statement of financial position**	-	578
USD	-	(374)	USD	-	457
YEN	-	(119)	YEN	-	145
GBP	-	19	GBP	-	(24)
Hedging derivatives	**-**	**244**	**Hedging derivatives**	**-**	**(309)**
USD	-	198		-	(272)
YEN	-	46		-	(37)
Total	**-**	**(229)**	***Total***	**-**	**269**

The change in the impact on the income statement is due to the fact that:

1) If the Euro appreciates, the Group's exposure is only partially offset by the positive change in the hedging instrument created to mitigate the negative effect of the underlying asset. At December 31, 2010, 91% of USD exposure and 32% of YEN exposure is hedged.

2) If the Euro depreciates, the positive effect of the Group's exposure to foreign currencies is partly offset by the negative change in the hedging instrument in place, since only a part of the underlying asset is hedged. At December 31, 2010, 91% of USD exposure and 32% of YEN exposure is hedged.

The financial instruments in place at December 31, 2010 are forward contracts measured at fair value in the income statement, as set out in IAS 39.

Financial risk deriving from interest rate fluctuations

Interest rate risk arises when a change in interest rates adversely affects performance for the year. At December 31, 2010, the YOOX Group is exposed to interest rate fluctuations. Its financial exposure at this date consists mainly of variable-rate borrowing worth Euro 5,030 thousand and fixed-rate financing totalling Euro 1,416 thousand. Interest rate risk arises if the Group is obliged to make further use of its stand-by facility at a higher rate than the current one, since the interest rate on this line of credit is linked to the Euribor (Euro Interbank Offered Rate).

In 2010, the YOOX Group did not believe it appropriate to manage interest rate risk through derivatives, but continuously monitored interest rate trends. Loan interest expense amounted to Euro 188 thousand in 2010, down from Euro 735 thousand in 2009, due to an improvement in the Group's net debt. The interest cost of the majority of the Group's bank borrowing is roughly equal to Euribor plus a spread of 1.50%.

The interest rate risk has been measured using a sensitivity analysis and the potential effects of Euribor interest rate fluctuations on the financial statements at December 31, 2010 have been analysed, particularly in relation to cash on hand and financing. An increase of 100 basis points in Euribor, with all other variables remaining constant, would have resulted in a reduction of around Euro 608 thousand in the Group's net financial expenses for 2010.
A decrease of 100 basis points, with all other variables remaining constant, would have resulted in an increase around Euro 123 thousand in the Group's net financial expenses for 2010.

The sensitivity analysis was carried out for statement of financial position items that may be subject to a change as a result of interest rate fluctuations.

Amounts in Euro	**Carrying amount at Dec. 31, 2010**	**Profit or loss**	
		Increase 100 bps	Decrease 100 bps
December 31, 2010			
		607,693	**(122,896)**
Variable-rate financing	5,030	(126,102)	25,502
Cash on hand and other financial assets	29,270	733,795	(148,398)
Sensitivity of net cash flows		**607,693**	**(122,896)**

No impact on equity was recognised, since there are no derivative financial instruments hedging rate movements.
In short, the quantitative data relating to the sensitivity analysis (for both currency risk and interest rate risk) cannot be used to make forecasts and cannot reflect the complexity of the interrelated reactions of the markets resulting from every potential change of circumstances.

At December 31, 2009, no sensitivity analysis has been carried out, since there were no statement of financial position items subject to negative changes in value due to interest rate fluctuations at that date.

Current financial assets, equal to Euro 5,082 thousand, are made up of Repurchase Agreements investments with a low risk profile and short term (less than twelve months) with a fixed yield to maturity. The interest rate risk could cause lower financial income if the Group had to reinvest its cash at a market rate lower than the current rate upon maturity of these financial assets. At January 31, 2011, these financial assets have been sold and realised.

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. More specifically, due to the dynamic nature of the business in which it operates, YOOX preferred to use both committed credit lines (i.e. financiers could not request repayment before a predetermined date) and revolving credit lines (where the Group had the option of repaying individual drawdowns, thus rebuilding its available cash).

YOOX closed the year with a net financial position of Euro 22,826 thousand, including cash and cash equivalents of Euro 24,188 thousand. However, partly as proof of the good business relationships that the Group enjoys with banks, it continues to maintain a number of credit lines. At December 31, 2010, the Group had drawn down Euro 5,030 thousand of its stand-by credit facility.

Credit risk with financial counterparties

The YOOX Group has obtained lines of credit from leading Italian and international banks that have not been materially affected by the crisis in the international banking system. 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 Banca Intesa (Tokyo Branch), 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 active since the end of 2010, it carries out transactions with Banca Intesa Shanghai, JP Morgan Chase Manhattan Bank Shanghai and China Construction Bank.

Credit risk with commercial counterparties

Given the nature of the Group's business, management of credit risk deriving from commercial operations is entrusted to the customer care department for online receivables generated by the individual Stores and to the finance manager for all other receivables.

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: quantitative information

The Group's maximum theoretical exposure to credit risk is represented by the carrying amount of the recognised financial assets.

As required by paragraph 36 of IFRS 7, the following is a breakdown of receivables due but not impaired:

	Gross amount 2010	*Impairment loss 2010*	*Gross amount 2009*	*Impairment loss 2009*
Not yet due	5,263	-	2,946	-
0-30 days	3,884	-	3,498	-
31-60 days	221	-	35	-
61-90 days	-	-	236	(56)
More than 90 days	96	(80)	250	(166)
Total	**9,464**	**(80)**	**6,965**	**(222)**

Hedge accounting – cash flow hedging

The Group performs prospective and retrospective tests of the effectiveness of the derivative financial instruments recorded, using the rules of hedge accounting.

Effectiveness is ensured if the ratio of the change in the fair value of the hedging instrument to the change in the fair value of the hedged instrument falls within the range of 80%-125%.

The Group arranged cash flow hedges in 2010 and 2009; these hedges are used to cover exposure to cash flow changes attributable to scheduled transactions that are highly likely to take place.

The financial instruments in place as of December 31, 2010 are forward contracts measured at fair value in the income statement, as set out in IAS 39.

Fair value

The Group uses established assessment techniques, widely used in the market, to calculate the fair value of financial instruments when there is no regulated market for them. These techniques determine the carrying amount that the instruments would have had at the 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 assets and liabilities measured at amortised cost (such as other receivables and payables).

Pursuant to IFRS 7, the fair value of these items is re-measured by calculating the present value of the contractually-expected flows of principal and interest, with reference to the yield curve for government securities at the measurement date.

The aforementioned investments in repurchase agreements are included 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 be classified according to a hierarchy of levels reflecting the input used in the fair value calculation. The levels are:

Level 1 – assets or liabilities measured using quoted prices in active markets;

Level 2 – inputs different from quoted prices as above, that are based on directly observable (prices) or indirectly observable (price-derived) market data;

Level 3 – inputs not based on observable market data.

Financial instruments stated at fair value at December 31, 2010 exclusively comprise derivative financial contracts relating to forward sales of currencies with total fair value at December 31, 2010 of Euro -26 thousand, calculated under Level 2 criteria.

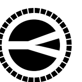
There were no transfers between levels in 2010.

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, 2010	Loans and receivables	Financial assets at fair value through profit or loss		Available-for-sale financial assets	Held-to-maturity investments	Hedging financial assets	Total carrying amount	Total fair value
		Financial assets designated at fair value on initial recognition	Held-for-trading financial assets					
Other non-current financial assets	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**

Statement of financial position items at Dec. 31, 2009	Loans and receivables	Financial assets at fair value through profit or loss		Available-for-sale financial assets	Held-to-maturity investments	Hedging financial assets	Total carrying amount	Total fair value
		Financial assets designated at fair value on initial recognition	Held-for-trading financial assets					
Other non-current financial assets	409	-	-	-	-	-	409	409
Trade receivables	6,743	-	-	-	-	-	6,743	6,743
Other current assets	3,197	-	-	-	-	16	3,213	3,213
Cash and cash equivalents	35,007	-	-	-	-	-	35,007	35,007
TOTAL	**45,356**	**-**	**-**	**-**	**-**	**16**	**45,372**	**45,372**



Transactions outstanding at year end

The following table shows transactions outstanding at December 31, 2010 and December 31, 2009 and the related fair values:

FINANCIAL INSTRUMENT	Nature of hedged risk	Notional value		Fair value of derivates		Current financial assets		Other financial liabilities	
		Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
Hedging									
Forward sales	currency	2,200	2,312	3	(4)	29	16	(26)	(20)
Total		**2200**	**2312**	**3**	**(4)**	**29**	**16**	**(26)**	**(20)**

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, 2010 and at December 31, 2009 were restricted to commercial, administrative and financial services relationships with subsidiaries and other related parties. These transactions form part of normal business operations, within the usual scope of activity of each of the interested parties, and are carried out under normal market conditions.

Below is a non-exhaustive list of definitions of the related parties of an entity (the "Entity") as indicated in IAS 24:

a) Entities that directly or indirectly:

   (i) control the Entity, or
   (ii) are controlled by the Entity, or
   (iii) are subject to joint control with the Entity, or
   (iv) have significant influence over the Entity, or
   (v) have joint control over the Entity.

b) entities related to the Entity according to the definition set out in IAS 28 – Investments in Associates;

c) joint ventures in which the Entity has a shareholding;

d) managers with strategic responsibility for the Entity or its parent, including the directors and statutory auditors of the Entity;

e) the close family members of any physical persons included in points a) to d) above;

f) entities controlled or jointly controlled by one of the persons described in points d) or e) above, or that are under the significant influence of these persons; i.e. entities in which the persons described in d) and e) hold, either directly or indirectly, a significant share of the voting rights;

g) pension funds for employees of the Entity or any other entity related to it.

11.1 Intra-Group transactions

In order to provide more information on the extent of relationships within the Group, the following tables present transactions taking place between Group companies and offset in the financial statements at December 31, 2010 and December 31, 2009.

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 on the US and Japanese 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 Japanese and US customers using dedicated staff).

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, 2010 and at December 31, 2009. Receivables from and payables to subsidiaries are expressed in USD, JPY and CNY and translated into Euro at the exchange rate in effect at year end. Revenue and costs are expressed in USD, JPY and CNY and translated into Euro at the average exchange rate for the year in question.

December 31, 2010

(Thousand Euro)

	Trade receivables	Trade payables	Revenue	Costs
YOOX Corporation	6,386	-	21,281	-
Y Services	352	-	1,243	-
YOOX Japan	1,560	-	8,793	-
YOOX Mishang Trading (Shanghai)	-	-	-	-
Total subsidiaries	**8,298**	**-**	**31,317**	**-**

December 31, 2009

(Thousand Euro)

	Trade receivables	Trade payables	Revenue	Costs
YOOX Corporation	3,763	-	10,919	-
Y Services	346	-	897	-
YOOX Japan	1,309	-	5,735	-
Total subsidiaries	**5,418**	**-**	**17,551**	**-**

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 Director of Human Resources, the Sales Director, the Marketing Director, the Director of Operations, the Chief Technology Officer, the Director of Interactive Services, the Multi-brand Sales Manager and the Head of Customer Operations.

The gross annual remuneration of the above persons, inclusive of all forms of remuneration (including gross pay, bonuses and fringe benefits) as well as bonuses accrued but not paid out that are subject to the achievement of long-term objectives are reported in the following table, together with the fees of the members of the Board of Statutory Auditors:

December 31, 2010

Description	**Current benefits**	**Long-term benefits**	***Stock Option Plans and Incentive Plans***	**Other remuneration**
Directors	1,044	-	1,582	-
Statutory Auditors	73	-	-	-
Key management personnel	1,481	82	1,127	-
Total	**2,598**	**82**	**2,709**	**-**

December 31, 2009

Description	**Current benefits**	**Long-term benefits**	***Stock Options***	**Other remuneration**
Directors	706	-	156	-
Statutory Auditors	21	-	-	68
Key management personnel	1,922	70	745	-
Total	**2,649**	**70**	**901**	**68**

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, 2010 as well as December 31, 2009, 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, 2010

Description	*Trade receivables*	*Trade payabless*	*Revenues*	*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**

December 31, 2009

Description	*Trade receivables*	*Trade payabless*	*Revenues*	*Costs*
Sigma Gi S.p.A.	-	398	36	2,855
Diesel S.p.A.	919	1,604	742	3,883
Diesel Rags S.r.l.	-	899	-	2,026
55DSL S.r.l. – Unipersonale	-	10	25	12
Staff International S.p.A.	-	323	-	1,608
Diesel USA Inc.	132	900	66	2,174
Staff USA Inc.	-	-	-	76
Studio legale d'Urso Gatti e Associati	-	759	-	1,022
Ferrante, PLLC LAW FIRM	-	11	-	54
Hari K. Samaroo, P.C.	-	-	-	3
KK TPI	-	2	-	37
Nagamine Accounting Office	-	-	-	7
Total other related parties	**1,051**	**4,907**	**869**	**13,757**

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

- Sigma Gi S.p.A. (formerly Sigma Gi Export Import S.r.l.), since the chairman of the Board of Directors of this company and the owners of the related share capital are shareholders of the Parent;
- Diesel S.p.A., Diesel Rags S.r.l., Diesel USA Inc., 55DSL S.r.l. – Unipersonale, Staff International S.p.A. and Staff USA Inc., being companies within the Diesel Group, a director of which, through Red Circle S.r.l. Unipersonale, is a shareholder of the Parent and has the power to appoint a director to the Parent's board. The revenue and costs shown in the table at December 31, 2009 are determined from the date at which Red Circle S.r.l Unipersonale became a shareholder of YOOX S.p.A.;
- Studio legale D'Urso Gatti e Associati, since a partner of that law firm is a director of the Parent;

- Ferrante PLLC LAW FIRM, since a partner in that legal firm is a member of the Board of Directors of one of the Group's companies (YOOX Corporation);
- KK TPI and Nagamine Accounting Office, since the owner of both these consultancy firms is a member of the Board of Directors of a Group company (YOOX Japan);
- Hari K. Samaroo P.C., since the partner of that law firm is the legal representative/chairman of Y Services.

None of the transactions that took place with related parties in 2010 and 2009 were significant (except as mentioned above), atypical and/or unusual.

12. Other information

Commitments and guarantees

Description (in Thousand Euro)	*Dec. 31, 2010*	*Dec. 31, 2009*
Third-party assets held by the Group	49,133	36,658
Sureties given to others	3,294	2,984
Commitments under forward hedging contracts (nominal amount)	2,496	2,734

The warehouses of Group companies hold goods worth Euro 49,133 thousand received on a sale-or-return basis from YOOX's trading partners. The increase by comparison with the previous year reflects the opening of new Online Stores in 2010, including emporioarmani.cn, as well as an expansion of procurement on a sale-or-return basis during 2010 in the Multi-brand segment.

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

- The contract entered into by the Parent, with effect from October 1, 2008 for a period of six years, for the lease of office premises at Via Autari 27 in Milan. The surety is worth Euro 60,000 and expires on September 30, 2014.

- The contract entered into with ND Logistics Italia S.p.A. for the provision of integrated logistics services for Euro 500,000 with effect from March 14, 2007 for a period of five and a half years, expiring on October 14, 2012.

- The contract entered into with Diesel to guarantee payments by the subsidiary Y Services amounting to USD 590,000 (Euro 441,551) with effect from January 1, 2010 and expiring on December 31, 2010.

- The contract entered into with ND Logistics S.p.A. to guarantee compliance with obligations under a sublease contract for Euro 46,875 with effect from October 10, 2007 for a period of six years, expiring on June 9, 2013.

- The contract entered into 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 surety of Euro 47,500 expires on March 31, 2013.

- The contract concluded with SIMEST to guarantee the loan amounting to Euro 81,619 with effect from September 28, 2006 and expiring on March 16, 2014.

- The contract entered into with SIMEST to guarantee the loan amounting to Euro 362,179 with effect from January 17, 2008 and expiring on March 16, 2014.

- The contract entered into by the Company with New Winds Group to guarantee compliance with obligations under a lease of office premises in Madrid, with effect from August 1, 2008. The surety is worth Euro 18,839 and expires on September 1, 2011.

- The contract entered into by the Company with MM. Kerr and MM.Naret to guarantee compliance with obligations under a lease of office premises in Paris, with effect from August 1, 2008. The surety of Euro 50,000 expires on July 31, 2011.

- The contract entered into 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 is worth Euro 19,200 and expires on July 31, 2014.

- The contract entered into by the Company to guarantee VAT compliance in Portugal, for Euro 5,000, issued to the Portuguese tax representative and expiring on November 27, 2011.

- The contract entered into by the Company following the repayment of the Global Collect guarantee deposit of Euro 800,000, after BNP Paribas issued a bank guarantee for the same amount, due to expire 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 3,200,000 (Euro 29,452).

- The surety issued to Iolanda Labisi, with effect from May 1, 2010, for a period of four years, for the lease of guest quarters in Via Toscanini, Milan. The surety of Euro 12,000 expires on April 30, 2014.

- The contract entered into with Logistica Bentivoglio S.r.l., with effect from December 28, 2010 and due to expire on March 15, 2013, to guarantee compliance with obligations under a lease of the warehouse at the logistics centre in Bentivoglio, Blocco 9.5, for Euro 815,877.

- The surety issued to Arangino Giovanni to cover the cost of renovating the external wall of the building in Via Lombardini, Milan. The surety amounts to Euro 4 thousand, with effect from August 19, 2010, and expires on July 31, 2014.

The hedging contracts relate to forward sales entered into by the Parent to cover the currency risk connected to intra-Group sales in US Dollar and Japanese Yen. The nominal amount of these commitments, translated into Euro at the closing exchange rate is Euro 2,496 thousand.

13. Events after the reporting period

New highly automated global techno-logistics platform and logistics partner
On January 1, 2011, BSL Geodis, a company in the SNCF Group, became the new partner of the Group for the supply of techno-logistics services at the Logistics Centre at Interporto (Bologna) and for the development of the highly automated global logistics platform project.

Granting of shares following the exercise of stock options
On January 17, 2011, February 28, 2011 and February 14, 2011, 104,000, 508,716 and 104,000 YOOX S.p.A. ordinary shares, respectively, were granted following the exercise of the options under stock option plans and at the strike prices described in the table below:

Stock option plans	Grant date	Strike price (in Euro)			Total option	Post-split shares total
		106,50	15,91	59,17		
2007 - 2012	January 17, 2010			2.000	2.000	104.000
2001 - 2003	January 28, 2011	4.750	250		5.000	260.000
2003 - 2005	January 28, 2011	500			500	26.000
2006 - 2008	January 28, 2011			4.283	4.283	222.716
Sub total		5.250	250	4.283	9.783	508.716
2007 - 2012	February 14, 2011			2.000	2.000	104.000
Total		**5.250**	**250**	**8.283**	**13.783**	**716.716**

In light of the above, at the time of writing the new share capital issued by YOOX S.p.A. amounts to Euro 524,802.72, divided into 52,480,272 ordinary shares with no indication of nominal amount.

Granting of stock options under the YOOX S.p.A. 2009 - 2014 Stock Option Plan
On February 1, 2011, the condition precedent was satisfied in relation to the granting, to one beneficiary, of 963 options valid for the subscription of 50,076 YOOX ordinary shares under the YOOX S.p.A. 2009-2014 Stock Option Plan.

Subsequently, on February 9, 2011, the Board of Directors of the Company approved the granting, to one beneficiary, of 1,926 options valid for the subscription of 100,152 YOOX ordinary shares under the YOOX S.p.A. 2009-2014 Stock Option Plan.

Activation of the Jil Sander navy line on jilsander.com

On January 13, 2011, the jilsander.com Online Store was extended to include the Jil Sander Navy line.

Contract to extend and activate the Just Cavalli line at robertocavalli.com

An agreement was signed with ITTIERRE S.p.A. to extend the robertocavalli.com Online Store to include the Just Cavalli line, which was launched on February 8, 2011.

Contract for extension and Japanese launch of diesel.com

A contract was signed to extend the diesel.com Online Store to Japan, which was activated on February 21, 2011.

The Vogue Talents Corner

On February 23, 2011, at Palazzo Morando (Milan), Vogue Italia and thecorner.com presented “The Vogue Talents Corner”, an innovative scouting project aiming to showcase emerging creative talents on the international fashion scene through e-commerce. The event featured a show by 14 young designers selected by Vogue Italia, Vogue US, Vogue China, Vogue Paris and Vogue UK.
Their clothes and accessories for the Spring/Summer 2011 collection are available for purchase at thecorner.com in an area dedicated to the project.

Online Store contract for brunellocucinelli.com

YOOX S.p.A. signed a contract with Brunello Cucinelli S.p.A. on January 19, 2011 in relation to the Online Store for the Brunello Cucinelli brand, which will be launched in the first quarter of 2011, in Europe, the US and Japan.

Extension of marni.com to China

The marni.com Online Store was extended to the Chinese market on March 1, 2011.

Annex 1

Consolidated income statement for 2010, prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

	2010			2009		
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 revenues	214,288	1,425	0.7%	152,217	869	0.6%
Cost of goods sold	(129,864)	(16,296)	12.5%	(91,897)	(12,481)	13.6%
Fulfilment costs	(22,048)	(519)	2.4%	(15,935)	(676)	4.2%
Sales and marketing costs	(24,723)	(1,303)	5.3%	(16,777)	(733)	4.4%
General expenses	(22,148)	(4,043)	18.3%	(13,838)	(3,501)	25.3%
Other income and expenses	(497)			(957)	(7)	0.7%
Non-recurring expenses				(3,973)		
Operating profit	15,008			8,840		
Financial income	986			518		
Financial expenses	(1,053)	(75)	7.1%	(1,983)	(47)	2.4%
Profit before tax	14,941			7,375		
Taxes	(5,824)			(3,277)		
Consolidated profit for the year	9,117			4,098		
Of which:						
Attributable to owners of the Parent	9,117			4,098		
Attributable to non-controlling interests						

Annex 2

Consolidated statement of financial position as at December 31, 2010, 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, 2010			December 31, 2009		
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	8,395			3,508		
Intangible assets with finite useful life	7,129			3,420		
Deferred tax assets	5,456			3,546		
Other non-current financial assets	507			409		
Total non-current assets	**21,487**			**10,883**		
Current assets						
Inventories	76,311			47,054		
Trade receivables	9,384	1,690	18.0%	6,743	1,051	15.6%
Other current assets	7,318			3,213		
Cash and cash equivalents	24,188			35,007		
Current financial assets	5,082					
Total current assets	**122,283**			**92,017**		
Total assets	**143,770**			**102,900**		

Consolidated statement of financial position	December 31, 2010 Balances	December 31, 2010 of which with related parties	December 31, 2010 % Weighting	December 31, 2009 Balances	December 31, 2009 of which with related parties	December 31, 2009 % Weighting
Equity						
Share capital	518			504		
Reserves	64,426			58,937		
Losses carried forward	(5,364)			(9,462)		
Consolidated profit for the year	9,117			4,098		
Equity attributable to owners of the Parent	68,697			54,077		
Equity attributable to non-controlling interests	-					
Total consolidated equity	**68,697**			**54,077**		
Non-current liabilities						
Medium-long term financial liabilities	846			693		
Employee benefits	213			219		
Provisions for risks and charges	116			310		
Deferred tax liabilities	69			43		
Total non-current liabilities	**1,244**			**1,265**		
Bank loans and other current financial liabilities	5,600			313		
Provisions for risks and charges	877			538		
Trade payables	48,943	5,202	10.6%	27,254	4907	18.0%
Tax liabilities	2,441			3,913		
Other liabilities	15,968			15,540		
Total current liabilities	**73,829**			**47,558**		
Total consolidated equity and liabilities	**143,770**			**102,900**		

Annex 3

Consolidated statement of cash flows for 2010, 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	2010 Balances	2010 of which with related parties	2010 % Weighting	2009 Balances	2009 of which with related parties	2009 % Weighting
Amounts in thousands of Euro and percentage weighting on individual items						
Consolidated profit for the year	9,117			4,098		
Adjustments for:						
Taxes for the year	5,824			3,277		
Financial expenses	1,053			1,983		
Financial income	(986)			(518)		
Depreciation, amortisation and impairment losses	3,744			2,182		
Fair value measurement of stock options	3,744			1,651		
Unrealised effect of changes in foreign exchange rates	340			(75)		
(Gains)/losses on sale of non-current assets	-			6		
Employee benefits	33			18		
Provisions for risks and charges	549			576		
Payment of employee benefits	(39)			(73)		
Use of provisions for risks and charges	(404)			(242)		
Changes in inventories	(29,257)			(8,402)		
Changes in trade receivables	(2,641)	(639)	24.2%	(2,832)	(1,051)	37.1%
Changes in trade payables	21,354	295	1.4%	9,972	4,207	42.2%
Changes in other current assets and liabilities	(3,678)			10,541		
Cash flow from (used in) operating activities	8,753			22,162		
Income tax paid	(9,180)			(2,276)		
Interest and other financial expenses paid	(1,053)			(1,983)		
Interest and other financial income received	986			518		
NET CASH FROM (USED IN) OPERATING ACTIVITIES	(494)			18,421		

Consolidated statement of cash flows	2010 Balances	2010 of which with related parties	2010 % Weighting	2009 Balances	2009 of which with related parties	2009 % Weighting
Investing activities						
Acquisition of property, plant and equipment	(5,374)			(706)		
Acquisition of intangible assets	(6,065)			(2,184)		
Acquisition of other non-current financial assets	(98)			-		
Proceeds from sale of other non-current financial assets	-			826		
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**(11,537)**			**(2,064)**		
Financing activities						
Increase in current liabilities	5,028			-		
Repayment of current liabilities	-			(3,929)		
Increase in medium-long term financial liabilities	-			-		
Repayment of medium-long term financial liabilities	(155)			(18,348)		
Purchase of treasury shares	(362)			-		
Increase in share capital and share premium reserve	1,795			31,980		
Investments in financial assets	(5,082)			-		
Variation through difference between cash effect and action of incentive plans	(12)			-		
Changes in the hedging reserve	-			(13)		
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**1,212**			**9,688**		
TOTAL CASH FLOW FOR THE YEAR	**(10,820)**			**26,045**		
Cash and cash equivalents at the beginning of the year	35,007			8,962		
Cash and cash equivalents at the end of the year	24,188			35,007		
TOTAL CASH FLOW FOR THE YEAR	**(10,820)**			**26,045**		

Annex 4

Investments of members of management and control bodies, general managers and key management personnel at December 31, 2010.

Name and surname	Company	Method of ownership [1]	No. of shares held at Dec. 31, 2009	No. of shares purchased[2]	No. of shares sold	No. of shares held at Dec. 31, 2010
Federico Marchetti	YOOX S.p.A.	Direct	2,411,853	-	-	2,411,853
Fausto Boni[(3)]	YOOX S.p.A.	Direct	57,616	-	57,616	0
Stefano Valerio	YOOX S.p.A.	Direct	-	104,000	-	104,000
Raffaello Napoleone	YOOX S.p.A.	Direct	-	14,555	-	14,555
Alberto Grignolo	YOOX S.p.A.	Direct	25,360	-	-	25,360
Marco Di Pietro	YOOX S.p.A.	Direct	6,000	-	6,000	-
Massimiliano Benedetti	YOOX S.p.A.	Direct	2,000	-	2,000	-
Gabriele Tazzari	YOOX S.p.A.	Direct	1,000	-	-	1,000
Giuseppe Guillot	YOOX S.p.A.	Direct	200	-	-	200

(1) Including investments held through spouses that have not legally separated and minor children.
(2) Including through the exercise of stock options.
(3) resigned as a Director of the Company on July 1, 2010.

Annex 5

Remuneration paid to members of management and control bodies, general managers and key management personnel at 31 December, 2010

Name and surname	Position held	Period over which position was held	Termination of position	Remuneration for position at the Company preparing financial statements (Euro)	Non-monetary benefits (Euro)	Bonuses and other incentives (Euro)	Other remuneration (Euro)
Federico Marchetti	Chairman of the Board of Directors and Chief Executive Officer	Jan. 1, 2010 - Dec. 31, 2010	2012	450,000	-	450,000	-
Fausto Boni[1]	Director	Jan. 1, 2010 - Jun. 30, 2010	2012	10,000	-	-	-
Mark Evans	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	-	-	-	-
Massimo Giaconia	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	20,800	-	-	-
Raffaello Napoleone [2]	Director	Jul.7, 2010 - Dec. 31, 2010	2012	10,000	-	-	-
Massimiliano Benedetti	Director (YOOX Corporation)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	-	-	-	-
Holly Brubach	Director (YOOX Corporation)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	5,657			
Giuliano Iannacone [4]	Director (YOOX Corporation)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	18,858	-	-	-
Hari Samaroo [5]	Director (Y Services)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	12,092	-	-	-
Elserino Mario Piol	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	20,000	-	-	-
Stefano Valerio[6]	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	20,800	-	-	-
Catherine Gérardin	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	20,000	-	-	-
Jun Nagamine [3]	Director (YOOX Japan)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	5,807	-	-	-
Koji Ono [3]	Director (YOOX Japan)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	-	-	-	-
Filippo Tonolo	Chairman of Board of Statutory Auditors	Jan. 1, 2010 - Dec. 31, 2010	2012	31,200	-	-	-
David Reali	Standing Auditor	Jan. 1, 2010 - Dec. 31, 2010	2012	21,216	-	-	-
Luca Sifo	Standing Auditor	Jan. 1, 2010 - Dec. 31, 2010	2012	20,800	-	-	-
Nicola Bottecchia	Alternate Auditor	Jan. 1, 2010 - Dec. 31, 2010	2012	-	-	-	-
Edmondo Maria Granata	Alternate Auditor	Jan. 1, 2010 - Dec. 31, 2010	2012	-	-	-	-
Key management personnel		Jan. 1, 2010 - Dec. 31, 2010	-	1,481,325.99	-	82,408.11	-

(1) Fausto Boni resigned as a Director of the Company on July 1, 2010.
(2) Raffaello Napoleone was appointed with the approval of the Board of Directors on July 1, 2010 following the resignation of Fausto Boni.
(3) Remuneration paid by YOOX Japan.
(4) Remuneration paid by YOOX Corporation.
(5) Remuneration paid by Y Services.
(6) For further remuneration, see the table on transactions with related parties in the consolidated and separate financial statements.

Annex 6

Stock options granted to members of management and control bodies and key management personnel at December 31, 2010.

Name and surname	Position held	Options held at the beginning of the year			Options granted during the year			Options exercised during the year			Options expiring during the year	Options held at the end of the year		
		No. of options	Average exercise price	Average maturity	No. of options	Average exercise price	Average maturity	No. of options	Average exercise price	Average market price when exercised	No. of options	No. of options	Average exercise price	Average maturity
Federico Marchetti	Chairman of the Board of Directors and Chief Executive Officer	61,126	1,0843	Apr 24, 2019	28,848	5.3400	Dec 31, 2014	-	-	-	-	89,974	2.4488	18/04/2016
Holly Brubach	Director YOOX Corporation	1,000	2,0481	Jan 31, 2015	-	-	-	-	-	-	-	1,000	2.0481	31/01/2015
Moritz Hau	Deputy Chairman YOOX Corporation	1,340	1,7085	Feb 6, 2018	963	5.8700	Dec 31, 2014	-	-	-	-	2,303	3.4486	23/11/2015
Ono Koji	Director YOOX Japan	1,000	2,0481	Jan 31, 2015	-	-	-	-	-	-	-	1,000	2.0481	31/01/2015
Key management personnel		67,743	1,1291	Mar 18, 2019	23,091	5.4946	Dec 31, 2014	2,348	1.1379	6.5944	3,849	84,637	2.1304	28/09/2016
Other Beneficiaries		51,607	1,3883	Oct 31, 2017	9,948 (1)	5.9342	Dec 31, 2014	24,735	1.3000	6.5944	1,763	35,057	2.7024	16/12/2015

(1) Including 963 options corresponding to 50,076 shares granted to a beneficiary and for which the related suspension for the granting was verified on February 1, 2011.

Annex 7

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 Art. 149-duodecies of Issuer Regulation no. 11971 of May 13, 1999 and subsequent amendments.

Type of service	Party providing the service	Recipient	Fee (thousand Euro)
Auditing	KPMG SpA.	Parent	169
Auditing	KPMG SpA.	Subsidiaries	42
Other services	KPMG SpA.	Parent	2
Other services	KPMG network	Parent	58
Total			**271**

STATEMENT ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 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 2010.

They further certify that:
the consolidated financial statements:

- were prepared in accordance with applicable IFRS endorsed by the European Union pursuant to EC Parliament and Council Regulation No. 1606/2002 of July 19, 2002;
- correspond to entries made in accounting ledgers and records;
- are suitable for providing a true and fair view of the financial position and results of operations of the issuer and all companies included in consolidation;

the Directors' report contains a reliable analysis of operating performance and results and of the position of the issuer and all companies included in consolidation, together with a description of the main risks and uncertainties to which they are exposed.

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

REPORT OF THE AUDITORS

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 2010 comprising the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession and 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 12 March 2010 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 2010 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 2010, the results of its operations and its cash flows for the year then ended.

4 The directors of YOOX S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and shareholding structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure with

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

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

Società per azioni
Capitale sociale
Euro 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 2010.

Bologna, 16 March 2011

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 as at and for the year ended December 31, 2010, prepared in accordance with IFRS....185
Income statement....185
Statement of comprehensive income....186
Statement of financial position....187
Statement of changes in equity at December 31, 2010 and December 31, 2009....188
Statement of cash flows....189
Notes to the separate financial statements as at and for the year ended December 31, 2010....190
Annexes....241

SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2010, PREPARED IN ACCORDANCE WITH IFRS (1)

Income statement

Thousand Euro	Notes	2010	2009
Net revenues	**6.1**	183,377	131,640
Cost of goods sold	6.2	(123,055)	(85,156)
Fulfilment costs	6.3	(18,764)	(13,789)
Sales and marketing costs	6.4	(15,831)	(11,274)
General expenses	6.5	(15,322)	(10,136)
Other income and expenses	6.6	(383)	(795)
Non-recurring expenses	6.7	-	(3,950)
Operating profit	**6.8**	**10,022**	**6,540**
Financial income	6.9	866	515
Financial expenses	6.9	(949)	(1,756)
Profit before tax		**9,939**	**5,299**
Taxes	6.10	(3,880)	(2,546)
Profit for the year		**6,059**	**2,753**
Basic earnings per share*	6.11	0.18	0.10
Diluted earnings per share*	6.11	0.17	0.08

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

(1) The financial statements 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, 2010.

Statement of comprehensive income

Thousand Euro	Notes	2010	2009
Profit for the year		6,059	2,753
Other comprehensive income, net of tax			
Profit/(loss) from cash flow hedges	6.21	-	(13)
Total other comprehensive income		-	(13)
Total comprehensive income for the year		6,059	2,740

Statement of financial position

Thousand Euro	Notes	Dec. 31, 2010	Dec. 31, 2009
Non-Current Assets			
Property, plant and equipment	6.12	8,229	3,448
Intangible assets with finite useful life	6.13	7,127	3,420
Investments in subsidiaries	6.14	1,547	447
Deferred tax assets	6.15	3,044	2,957
Other non-current financial assets	6.16	67	52
Total non-current assets		**20,014**	**10,324**
Current assets			
Inventories	6.17	64,778	43,089
Trade receivables	6.18	15,951	10,971
Other current assets	6.19	5,363	1,998
Cash and cash equivalents	6.20	16,595	30,340
Financial assets	6.20	5,082	-
Total current assets		**107,769**	**86,398**
Total assets		**127,783**	**96,722**
Equity			
Share capital		518	504
Reserves		64,113	58,965
Losses carried forward		(6,829)	(9,582)
Profit for the year		6,059	2,753
Total equity	**6.21 - 6.22**	**63,861**	**52,640**
Non-current liabilities			
Medium-long term financial liabilities	6.23	846	693
Employee benefits	6.24	213	219
Provisions for risks and charges	6.26	112	306
Deferred tax liabilities	6.25	69	43
Total non-current liabilities		**1,240**	**1,261**
Bank loans and other current financial liabilities	6.23	5,600	313
Provisions for risks and charges	6.26	534	366
Trade payables	6.27	42,964	24,700
Tax liabilities	6.28	341	3,356
Other liabilities	6.29	13,243	14,086
Total current liabilities		**62,682**	**42,821**
Total equity and liabilities		**127,783**	**96,722**

Statement of changes in equity at December 31, 2010 and December 31, 2009 – NOTE 6.21

Thousand Euro	*Share capital*	*Share premium reserve and other equity-related reserves*	*Legal reserve*	*Reserve for own shares*	*Hedging reserve*	*Stock option reserve*	*Retained earnings or losses carried forward*	*Profit for the year*	*Total*
December 31, 2008	**401**	**22,666**	**23**	**-**	**13**	**2,578**	**(11,479)**	**2,065**	**16,267**
Share capital increase	103	31,876	-	-	-	-	-	-	**31,979**
Increases in reserves for share-based payments	-	-	-	-	-	1,651	-	-	**1,651**
Total comprehensive income	**-**	**-**	**-**	**-**	**(13)**	**-**	**-**	**2,753**	**2,740**
Other changes	-	-	170	-	-	-	1,897	(2,065)	**2**
December 31, 2009	**504**	**54,542**	**193**	**-**	**-**	**4,229**	**(9,582)**	**2,753**	**52,640**
Share capital increases	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**

Statement of cash flows

Thousand Euro	*Notes*	*2010*	*2009*
Profit for the year	6.30	6,059	2,753
Adjustments for:			
Taxes for the year	6.30	3,880	2,546
Financial expenses	6.31	949	1,756
Financial income	6.31	(866)	(515)
Depreciation, amortisation and impairment losses	6.31	3,701	2,155
Fair value measurement of stock options	6.31	3,642	1,651
(Gains)/losses on sale of non-current assets	6.31	-	6
Employee benefits	6.31	33	18
Provisions for risks and charges	6.31	257	400
Payment of employee benefits	6.31	(39)	(73)
Use of provisions for risks and charges	6.31	(284)	(196)
Changes in inventories	6.32	(21,689)	(8,707)
Changes in trade receivables	6.32	(4,980)	(2,660)
Changes in trade payables	6.32	17,929	9,669
Changes in other current assets and liabilities	6.33	(4,206)	10,167
Cash flow from (used in) operating activities		**4,386**	**18,970**
Income tax paid	6.30	(6,956)	(1,270)
Interest and other financial expenses paid	6.31	(949)	(1,756)
Interest and other financial income received	6.31	866	515
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**(2,653)**	**16,459**
Investing activities			
Acquisition of property, plant and equipment	6.34	(5,225)	(707)
Acquisition of intangible assets	6.35	(6,063)	(2,184)
Acquisition of investments in subsidiaries	6.36	(1,000)	-
Acquisition of other non-current financial assets	6.37	(16)	-
Proceeds from sale of other non-current financial assets	6.37	-	311
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(12,304)**	**(2,580)**
Financing activities			
Increase in current financial liabilities	6.40	5,028	-
Repayment of current financial liabilities	6.40	-	(3,930)
Increase in medium-long term financial liabilities	6.39		-
Repayment of medium-long-term financial liabilities	6.39	(155)	(18,348)
Repurchase of treasury shares		(362)	-
Capital injection for share capital increase and share premium reserve	6.38	1,795	31,980
Investments in other financial assets	6.20	(5,082)	-
Variation through difference between cash effect and action of incentive plans	6.22	(12)	-
Changes in the hedging reserve	6.38	-	(13)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**1,212**	**9,689**
TOTAL CASH FLOW FOR THE YEAR		**(13,745)**	**23,568**
Cash and cash equivalents at the beginning of the year	6.20	30,340	6,772
Cash and cash equivalents at the end of the year	6.20	16,595	30,340
TOTAL CASH FLOW FOR THE YEAR		**(13,745)**	**23,568**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2010

1. Company structure and activities

YOOX S.p.A. (hereinafter the "Company" or the "Parent") is the Parent of the YOOX Group. It is subject to Italian law and its registered offices are in Zola Predosa, Italy. The Company is active in e-commerce and offers commercial services relating to clothing and fashion accessories, and more generally to anything that accessorises the person or the home, during free time, when relaxing or during leisure activities.

Information on individual operating segments is presented at Group level in section 7 of the consolidated financial statements.

2. Approval of the separate financial statements at December 31, 2010

The separate financial statements at December 31, 2010 were approved by the Board of Directors on March 9, 2011. They have been audited and will be presented to the shareholders.

3. Statement of compliance with IFRS and basis of preparation

YOOX S.p.A. prepared the separate financial statements at December 31, 2010 in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The acronym IFRS also includes all the interpretations of International Financial Reporting Standards Committee (IFRIC), formerly the Standing Interpretations Committee (SIC). The separate financial statements at December 31, 2010 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 separate financial statements at December 31, 2010 are compared with the separate financial statements of the previous year. They comprise the income statement, the statement of comprehensive income, the statement of financial position and the statement of changes in equity, as well as these notes.

Separate 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 transactions with related parties, in order to improve readability.

As indicated above, the separate financial statements at December 31, 2010 were drawn up in accordance with the IFRS endorsed by the European Union, and comprise the following:

Income statement

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

Statement of comprehensive income

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

Statement of financial position

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

Statement of changes in equity

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

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

Statement of cash flows

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

4. Accounting standards and measurement criteria

Basis of preparation

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

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

Financial transactions are recognised according to the trade date.

The accounting standards adopted for the preparation of the separate financial statements at December 31, 2010 were applied in the same way for all periods presented for comparison.

Use of estimates

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

Actual results may differ from these estimates. Estimates are used to recognise provisions 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 recognised in the financial statements, or for which there is a risk that significant adjustments may be made to the carrying amount of assets and liabilities in the year following that under review.

Allowance for impairment

The allowance for impairment reflects a management estimate of losses on the portfolio of end customer receivables. It is estimated according to expected losses by the Company on the basis of past experience with similar receivables, current and historical overdue receivables, losses and receipts, close monitoring of the quality of receivables and economic and market forecasts. The continuation of the current economic and

financial crisis, and any worsening of the situation, could lead to a further deterioration in the financial circumstances of the Parent's debtors, in addition to that taken into consideration in setting the recognised provisions.

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 recognised provisions.

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 expected 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, the Company took performance expectations for 2011 into account when drawing up the separate financial statements at December 31, 2010, and more particularly when conducting impairment tests on property, plant and equipment and intangible assets. For future years it also drew up specific performance forecasts for its businesses on a precautionary basis, which take into account the profound changes to the economic, financial and market situation which have been brought about by the crisis. On the basis of these forecasts, there is no apparent need for significant impairments.
- In the event of a further worsening of the assumptions forming the basis for the forecasts, the following should be noted: in terms of the Company's property, plant and equipment and intangible assets with finite useful life (essentially development costs), the forecasts refer to recent applications/platforms with highly technological content, which makes them competitive in the current economic climate. It is therefore thought highly probable that the life-cycles of these products could be prolonged, allowing the Company to achieve sufficient income flows to cover the investment made in the products within the timeframe identified.

Defined benefit plans

The Parent provides personnel with a defined benefit plan (post-employment benefits). Management uses various statistical assumptions and evaluation factors to anticipate future events in order to calculate expenses, liabilities and plan assets. These assumptions concern the discount rate, the expected return on plan assets, where these 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. Regarding discount rates, during 2010 the rate curves of high-quality corporate securities were not as highly volatile as during previous years. 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 probable 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 probable but the amount involved cannot be determined, this is reported in the notes to the financial statements.

Treatment of foreign currency transactions

Foreign currency transactions

Monetary items denominated in foreign currencies at the reporting date are 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 recognised in the income statement.

The following table shows the exchange rates used at December 31, 2010 and at December 31, 2009 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, 2010	Average exchange rate for 2010
USD	1.3362	1.3257
YEN	108.65	116.24
CNY	8.8220	8.9712
GBP	0.8608	0.8578

	Exchange rate at Dec. 31, 2009	Average exchange rate for 2009
USD	1.4406	1.3948
YEN	133.16	130.34
GBP	0.8881	0.8909

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 expenses.

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 they are incurred. After initial recognition, derivatives are measured at fair value. Any changes are recognised as described below.

Cash flow hedging

Changes in the fair value of a derivative hedging instrument designated as cash flow hedges are posted directly to 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.

Accumulated gains or losses are maintained in equity until the prospective transaction takes place. If the hedged item is a non-financial asset, the amount entered under equity is transferred to the carrying amount of the asset when it is determined. In other cases, the amount 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

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 as they are 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 in the year in which they are incurred.

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

Assets under finance lease

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

Depreciation

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

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

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

The depreciation method, useful lives and residual values are verified 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 at the time they are incurred.

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

- the technical feasibility of the product can be demonstrated;
- the ability to use or sell the intangible asset can be demonstrated;
- the Company intends to complete the development project;
- the costs incurred for the project can reliably be calculated;
- the amounts entered can be recovered through 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 expense. Financial expenses incurred in developing capitalised assets that normally require a fixed period of time to be prepared for use or sale are capitalised and amortised over the life of the asset class in question. All other financial expenses are recognised in the income statement for the year in which they are incurred. Other development expenses are recognised in the income statement at the time they are incurred.

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

Development projects in progress are measured 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 for the year in which they are incurred.

Amortisation

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

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

The useful lives and residual values are verified at the 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 classed 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 operations 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 corresponding 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 be subjected to impairment tests and an impairment loss is recognised where necessary. In order for the impairment loss to be charged to the income statement, there must be objective evidence that events have taken place that impact the estimated future cash flows from the investments. Any losses in excess of the carrying amount of the investments arising from legal or implicit obligations to cover losses incurred by the subsidiaries are posted under provisions for risks or charges.
The original value is reversed in subsequent years if the reasons for the impairment no longer apply.

The relevant dividends are posted under financial income from investments at the time when the right to receive dividends is established, generally at the same time as approval is granted by the shareholders.

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 measured 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 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 accounted for according to the settlement date and, at the time they are first recognised in the financial statement, 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 the fair value. If the market price is not available, the fair value of the financial instruments available for sale is measured using the most appropriate valuation 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 onr financial assets available for sale are recognised directly under Other total gains (losses) until the time in which the financial asset is sold or impaired; at the time the asset is sold, the gains or accumulated losses, including those previously recorded under Other total gains (losses) are included in the income statement for the year; at the time the asset is impaired, the accumulated 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 recorded 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 the purchase cost. Loans with a term of more than a year, are non-interest bearing or which accrue with interest less than the market, are discounted using the market rates.
Measurements are made regularly in order to check whether there is objective evidence that a financial asset or group of assets could have suffered an impairment loss. If there is objective evidence of impairment, the 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 represent the carrying amount of inventories appropriately in the statement of financial position, and to take into account impairment losses due to obsolete materials and slow inventory movement, an obsolescence provision has accrued directly deducted from the carrying amount of the inventories.

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents include all cash on hand, bank and postal deposits and equivalent items that can be sold in the very short term (within three months), stated at the nominal amount, 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 on 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 investments 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, other than 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 amount that would have been calculated if no impairment had been recognised. The reversal of an impairment loss is immediately recognised in the income statement.

Share capital and other items of equity

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

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

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

The amount paid or received, including all costs directly attributable to the equity 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 term 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

The post-employment benefits (TFR) of the Italian company are classed as a defined-benefit plan under IAS 19. The benefits guaranteed to employees in the form of post-employment benefits, which are issued on cessation of the working relationship, are recognised at the expected future value of the benefits that employees will receive and that have accrued during the year and in 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 measured 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. In accordance with IFRS 2 – Share-based payment, these are classed as equity settled. The total amount of the present value of the stock options 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

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

Trade and other payables

Trade and other payables falling due within normal commercial terms, usually within 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 usually fall due within a year, are not discounted.

Revenue and income

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or due, taking into account any returns, allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and 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 retain the continuing involvement to the degree usually associated with ownership of the good sold.

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

Services

Revenue generated from the provision of services is 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 Company 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 and all costs incurred in order to prepare the purchased goods for sale, as well as any direct and indirect ancillary costs, both internal and external (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 measured at the fair value of the amount paid or agreed. Generally, the cost of goods purchased is therefore composed of cash and cash equivalents paid or payable in future on normal payment terms. On this basis, the cost of goods purchased is recognised according to the purchase price of the goods stated on the invoice, net of rebates, discounts and allowances.

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

The change in product inventories reflects the difference between opening inventories (the closing inventories from the previous period) and the closing inventories of the accounting period under review.

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

Fulfilment costs

These are costs incurred for:

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

- logistics: this item includes the cost of handling and packaging the goods, which comprises the costs of logistical warehouse management and related consultancy, as well as a portion of the amortisation/depreciation of property, plant and equipment and intangible assets, and the cost incurred for remuneration of personnel directly carrying out this function.
- customer services: these costs include all customer care expenses, including the costs of the call centre and the telephone and email services available to the customer, the costs of dedicated staff and the share of amortisation/depreciation of the related property, plant and equipment and intangible assets.

Sales and marketing costs and general and administrative expenses

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

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

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

Property leases and operating lease payments

Property leases and operating lease payments are recognised in the income statement on an accruals basis (at the time when the economic benefits deriving from the leased assets are recognised). In the event that the economic benefits are lower than the unavoidable minimum costs 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 income 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 payable on loans and losses on hedging instruments recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest method.

Income taxes

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

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

Deferred tax is recorded in accordance with the equity method by calculating temporary differences between the carrying amount of recognised 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 probable that future taxable income will be sufficient for these assets to be used. The carrying amount of deferred tax assets is reviewed at the end of every year and is reduced to the extent that the related tax benefit is no longer likely to be realised.

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

Earnings per share

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

5. Accounting standards, amendments and interpretations applied from January 1, 2010

The following accounting standards, amendments and interpretations were first applied by the Parent from January 1, 2010:

Amendment to IFRS 2 – Share-based Payment: Group Cash-settled Share-based Payment Transactions;

The newly revised IFRS 2 became effective on January 1, 2010.

The EC regulations that endorsed this amendment are as follows:

3 Regulation (EU) no. 244/2010 of March 23, 2010 – *Group Cash-settled Share-based Payment Transactions*, modifications to IFRS 2 *Share-based Payment*.

4 Regulation (EU) no. 243/2010 of March 23, 2010 – *Improvements to International Financial Reporting Standards (2009).*

The amendments to IFRS 2 were needed to define the accounting treatment of group cash-settled share-based payment transactions not specifically covered by IFRS 2 or other interpretations.
Following these amendments, the IASB also decided to directly include in the accounting standard the provisions that had previously been covered by two separate interpretations, which were therefore withdrawn: IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*.
The amendments to IFRS 2 clarified that an entity that receives goods or services (receiving entity) as part of a cash-settled share-based payment transaction or an equity-settled transaction must recognise said transaction in its separate or individual financial statements. This obligation also applies when the transaction is settled by another group entity or by a shareholder of any group entity (settling entity) and the receiving entity has no obligation to settle the transaction directly. Prior to these amendments, the receiving entity was required to recognise the share-based payment transaction in its financial statements, even if it had no direct obligation, only if said transaction was settled by another group entity with equity instruments.

A summary of the new provisions of IFRS 2 is provided below, detailing the relevant obligations and recognition methods:

- if the receiving entity, in relation to goods or services received as part of a share-based payment transaction, grants equity-based incentives or is not obligated to settle the transaction, it must recognise the share-based payment transaction as an equity-settled transaction in its separate or individual financial statements;
- in all other cases, the receiving entity must recognise a share-based payment transaction as a cash-settled transaction in its separate or individual financial statements;
- even when the goods and services are received by another group entity, the settling entity must recognise a share-based payment transaction in its financial statements as an equity-settled transaction if it has an obligation to settle said transaction with its own equity instruments. If, however, a share-based payment transaction is settled with cash or other assets (for example, equity instruments of other group entities), the settling entity must recognise the transaction in its separate or individual financial statements as a cash-settled transaction.

Group share-based payment transactions must be recognised in the separate or individual financial statements without taking into account any intra-group repayment agreements. For example, if the receiving entity has no obligation to settle the transaction with the supplier of the goods or services, but it does have an obligation pursuant to an intra-group agreement to repay another group entity acting as the settling entity, the receiving entity must recognise the share-based payment transaction in its separate or individual financial statements as an equity-settled transaction. The transaction resulting from the intra-group agreement is not governed by IFRS 2 and must therefore be recognised separately in the financial statements.
Taking into account the temporary provisions of IFRS 2 in paragraphs 53-59, entities must apply the IFRS amendments retroactively to financial statements for years beginning on or after January 1, 2010. If the information needed for retroactive application is not available, entities must recognise in their separate or individual financial statements the amounts previously recorded in the group's consolidated financial statements.

Amendments and interpretations that came into effect from January 1, 2010 but are not relevant to the Parent

The following amendments, improvements and interpretations, which came into effect from January 1, 2010, govern circumstances and cases that do not exist in the Parent at the time of these separate financial statements, but which might affect the accounting of future transactions or agreements:

- IFRS 3 (Revised in 2008) – Business combinations: specifically, the updated version of IFRS 3 introduced significant modifications which, in the main, involve: the rules for combination of subsidiaries achieved in stages; the right to measure at fair value any shares in profit pertaining to non-controlling interests purchased during a partial acquisition; the allocation to income statement of all costs connected with the business combination; and the recognition of the liabilities for contingement consideration at the acquisition date;
- IAS 27 (2008) – Consolidated and Separate Financial Statements: the modifications to IAS 27 relate mainly to the accounting of transactions or events that change the equity interests in subsidiaries and to the allocation of subsidiary losses to non-controlling interests;
- Improvement to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations;
- Amendments to IAS 28 – Investments in Associations and to IAS 31 – Interests in Joint Ventures, resulting from the changes to IAS 27;
- Improvement to IAS/IFRS (2009);
- IFRIC 17 – Distributions of Non-cash Assets to Owners;
- IFRIC 18 – Transfers of Assets from Customers;
- Amendment to IFRS 39 – Financial Instruments: recognition and measurement – Elements that qualify for Cover.

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Parent

On October 8, 2009, the IASB issued an amendment to IAS 32 – Financial Instruments: Presentation: Classification of Rights Issues to govern accounting for rights issues (rights, options or warrants) denominated

in currencies other than the functional currency of the issuer. These rights were previously accounted for as liabilities relating to derivative financial instruments. The amendment stipulates that, in certain circumstances, these rights are to be classified under equity, regardless of the currency in which the exercise price is denominated. The amendment is applicable retrospectively from January 1, 2011. Adoption of this amendment is not expected to have any significant effect on the Parent's financial statements.

At November 4, 2009, the IASB issued a revised version of IAS 24 – Related party disclosures that simplifies the type of information required in the case of transactions with related parties. The standard applies from January 1, 2011. At the reporting date, the competent European Union bodies have not yet completed the process of endorsement necessary for its application.

On November 12, 2009, the IASB published IFRS 9 – Financial Instruments relating to the classification and measurement of financial assets, applicable from January 1, 2013. This publication is the first part of a gradual process to fully replace IAS 39. The new standard uses a unique approach based on methods for managing financial instruments and on characteristics of the contractual cash flows of financial assets to determine the measurement criteria, replacing the various rules in IAS 39. The new standard also includes a single method for determining the impairment of losses on financial assets. At the reporting date, the competent European Union bodies have not yet completed the necessary endorsement process for its application.

On November 26, 2009, the IASB issued a minor amendment to IFRIC 14 – Prepayment of a Minimum Funding Requirement, allowing companies making prepayments of minimum funding contributions to recognise these as an asset. The amendment applies from January 1, 2011. At the reporting date, the competent European Union bodies have not yet completed the necessary endorsement process for its application.

On November 26, 2009, IFRIC issued IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments, which provides guidelines for recognition of the extinguishing of a financial liability by issuing equity. The interpretation stipulates that if a business renegotiates the terms to extinguish a financial liability and its creditor agrees to extinguish it via the issue of shares in the business, the shares issued by the business become part of the price paid for the extinction of the financial liability and must be measured at fair value. The difference between the carrying amount of the financial liability extinguished and the opening equity instruments must be recognised in the income statement for the period. The interpretation applies from January 1, 2011. At the reporting date, the competent European Union bodies have not yet completed the necessary endorsement process for its application.

At May 6, 2010, the IASB issued a series of improvements to the IFRS that will apply from January 1, 2011; the main ones are listed below:

- IFRS 3 (2008) – Business combinations: the amendment clarifies that non-controlling interests which do not bear the right to receive a share proportional to the net assets of the subsidiary should be measured at the fair value or in accordance with the applicable accounting standards. Therefore, for example, a stock option plan granted to employees should be measured, in the case of a business combination, in compliance with the rules of IFRS 2 and the portion of equity of a convertible bond should be measured in compliance with IAS 32. In addition, the Board has taken a detailed look at the subject of share-based payment plans which have been replaced as part of a business combination and has added a dedicated guide in order to clarify the relevant accounting treatment thereof.

- IFRS 7 – Financial Instruments: additional information: the modification stresses the interaction between additional information of a qualitative nature and that of a quantitative nature required by the principle concerning the nature and extent of the risks inherent in the financial instruments. This should help those using the financial statements to tie up the information presented and create a general description surrounding the nature and extent of the risks stemming from these financial instruments. In addition, the request for information concerning financial assets that have expired but been renegotiated or impaired has been eliminated as well as that relating to the fair value of collateral.

- IAS 1 – Presentation of Financial Statements: the modification requires that the reconciliation of the variations for each component of the equity be presented in the notes or in the financialstatements schedules.

- IAS 27 (2008) – The modifications to IAS 27 mainly involve the accounting treatment of transactions or events that modify the equity investments in subsidiaries and the allocation of the losses of the subsidiaries to non-controlling interests.

- IAS 34 – Interim financial reporting: clarification surrounding the additional information that should be presented in the Interim Financial Reporting has been provided by means of several examples.

On October 7, 2010, the IASB published amendments to IFRS 7 – Financial Instruments: Additional information, applicable for accounting periods commencing on or after July 1, 2011. The amendments were issued to improve understanding of financial asset transfers, including the possible effects of any risk borne by the entity that transferred said assets. The amendments also require more information to be given where a disproportionate amount of said transfers take place at the end of an accounting period. At the reporting date, the competent European Union bodies have not yet completed the necessary endorsement process for the application of these amendments.

On December 20, 2010, the IASB issued a minor amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards (IFRS), in order to remove the reference to January 1, 2004 as the date of transition to IFRS, and to provide guidance on the presenting financial statements in accordance with IFRS after a period of hyper-inflation. These amendments will apply from July 1, 2011. At the reporting date, the competent European Union bodies have not yet completed the process of endorsement necessary for the application of the aforementioned amendments.

On 20 December 2010, the IASB issued a minor amendment to IAS 12 – Income Taxes, that requires companies to assess the deferred taxes on a continuing operation according to the way in which the carrying amount of the asset is to be recovered (through continued use or through disposal). As a result of this amendment, SIC-21 – Income Taxes – Recovery of Revalued Non-Depreciable Assets will no longer apply. The amendment will apply from January 1, 2012.

At the reporting date, the competent European Union bodies have not yet completed the necessary endorsement process for the application of the aforementioned amendment.

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

Income statement

6.1 Net revenues

The Parent’s net revenues from sales and the provision of services for December 31, 2010 and December 31, 2009 break down as follows:

Description	2010	2009	Change
Net revenues from sales	173,063	124,235	48,828
Revenue from the provision of services	10,314	7,405	2,909
Total	**183,377**	**131,640**	**51,737**

Net revenues from sales increased by 39,3%, from Euro 124,235 thousand in 2009 to Euro 173,063 thousand in 2010. Net revenues include all revenue arising from the sale of goods net of customer discounts and returns.

The marked rise in net revenues from sales in 2010 is mainly due to the uptrend in sales volumes, linked to the increase in the number of orders, and the average value of the order purchased by the customer.

Revenue from the sale of goods is presented net of sales returns, amounting to Euro 48,263 thousand in 2010, or 21.8% of 2010 gross revenue (revenue from the sale of goods before customer returns in 2010) and to Euro 38,705 thousand in 2009, or 23.8% of 2009 gross revenue (revenue from the sale of goods 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 39.3% from Euro 7,405 thousand in 2009 to Euro 10,314 thousand in 2010, mainly comprises:

- The recharging of transport services for sales to the end customer (in certain countries the customer also pays for return shipments), net of refunds made if the customer returns the goods sold.

- Revenue from the set-up fees charged to create the Online Stores and fees charged to Strategic Partners in the Mono-brand business line for assistance in maintaining the Online Stores.
- Revenue generated from the sale of media partnership projects and web marketing services.

6.2 Cost of goods sold

The cost of goods sold amounts to Euro 123,055 thousand (67.1% of net revenues) for 2010, compared with Euro 85,156 thousand (64.7% of net revenues) for 2009, representing an increase of Euro 37,899 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	2010	2009	Change
Change in inventories	21,703	8,625	13,078
Purchase of goods	(128,388)	(82,646)	(45,742)
Cost of services	(15,014)	(10,733)	(4,281)
Other costs	(1,356)	(402)	(954)
Total	**(123,055)**	**(85,156)**	**(37,899)**

The cost of goods purchased increased by 55.3%, from Euro 82,646 thousand in 2009 to Euro 128,388 thousand in 2010. The cost of goods purchased comprises costs for the procurement of goods for resale, the absolute value of which directly correlates to volumes sold.

Cost of services increased by 39.9%, from Euro 10,733 thousand in 2009 to Euro 15,014 thousand in 2010. 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 237.3%, from Euro 402 thousand in 2009 to Euro 1,356 thousand in 2010. 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 18,764 thousand (10.2% of net revenues) in 2010, compared with Euro 13,789 thousand (10.5% of net revenues) in 2009, an increase of Euro 4,975 thousand.

This cost comprises operational expenses incurred from digital production, cataloguing and quality control, from warehouse logistics, and from customer services, including call centre services and customer care.

The following table shows the breakdown of fulfilment costs:

Description	2010	2009	Change
Cost of services and other costs	(14,231)	(9,633)	(4,598)
Personnel expenses	(4,027)	(3,736)	(291)
Depreciation and amortisation	(506)	(420)	(86)
Total	**(18,764)**	**(13,789)**	**(4,975)**

The cost of services and other costs increased by 47.7%, from Euro 9,633 thousand in 2009 to Euro 14,231 thousand in 2010. They mainly comprise service costs for handling and packaging goods and costs relating to outsourced production processes.

Personnel expenses increased by 7.8%, from Euro 3,736 thousand in 2009 to Euro 4,027 thousand in 2010, as a result of an increase in the number of employees in this area.

The item includes Euro 134 thousand (Euro 394 thousand in 2009) relating to the Stock Option plans and Incentive Plan. In addition to the cost of employees, the staffing costs also include resources such as interns, contractors and consultants which come under personnel expenses.

6.4 Sales and marketing costs

Sales and marketing costs increased by Euro 4,557 thousand in 2010, to Euro 15,831 thousand (8.6% of revenue) compared with Euro 11,274 thousand (8.6% of revenue) for 2009.

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	2010	2009	Change
Cost of services and other costs	(8,695)	(7,081)	(1,614)
Personnel expenses	(7,106)	(4,165)	(2,941)
Depreciation and amortisation	(30)	(28)	(2)
Total	**(15,831)**	**(11,274)**	**(4,557)**

The cost of services and other costs increased by 22.8%, from Euro 7,081 thousand in 2009 to Euro 8,695 thousand in 2010. The main components of cost of services incurred in 2010 are:

- web marketing costs of Euro 5,488 thousand (Euro 3,880 thousand in 2009). These costs relate to the purchasing of online advertising, the negotiation and implementation of marketing agreements and the development of new partnerships and the commercial and technical management of existing partnerships, mainly for the Multi-brand business line;

- expenses for credit card transactions totalling Euro 2,167 thousand (Euro 1,683 thousand in 2009).

Other costs mainly comprise costs incurred for fraud relating to online sales, which increased from Euro 440 thousand in 2009 to Euro 468 thousand in 2010.

Personnel expenses increased by 70.6%, rising from Euro 4,165 thousand in 2009 to Euro 7,106 thousand in 2010. This was due to the combined effect of both the rise in the number of personnel employed in this area, which rose from 76 at December 31, 2009 to 112 at December 31, 2010 and to the increase in the cost relating to the Stock Option plans and the Incentive Plan which went from Euro 347 thousand in 2009 to Euro 1,079 thousand in 2010. It should be noted that personnel expenses also include the cost relating to employees, and also include resources such as interns, contractors and consultants which come under personnel expenses.

6.5 General expenses

General expenses include all the overhead costs of the Parent’s various offices pertaining to personnel management, administration, finance and control, communications and image, general management, general services and technological services.

General expenses rose by Euro 5,186 thousand in 2010, coming in at Euro 15,322 thousand compared with Euro 10,136 thousand in 2009.

General expenses can be broken down as follows:

Description	2010	2009	Change
Cost of services	(3,407)	(2,449)	(958)
Personnel expenses	(8,751)	(5,916)	(2,835)
Depreciation and amortisation	(3,164)	(1,707)	(1,457)
Provisions	-	(64)	64
Total	**(15,322)**	**(10,136)**	**(5,186)**

Cost of services increased by 39.1%, from Euro 2,449 thousand in 2009 to Euro 3,407 thousand in 2010. These costs include:

- Legal and administrative consultancy costs of Euro 1,398 thousand (Euro 1,130 thousand in 2009);
- Infrastructure and technology costs and costs relating to communications and image services.

Personnel expenses increased by 47.9%, rising from Euro 5,916 thousand in 2009 to Euro 8,751 thousand in 2010. This was due to the combined impact of both the rise in the number of personnel employed in these areas, which rose from 119 at December 31, 2009 to 156 at December 31, 2010 and the increase in costs related to the Stock Option Plans and the Incentive Plan which went from Euro 910 thousand in 2009 to Euro 2,429 thousand in 2010. In addition to the cost of employees, personnel expenses include costs relating to interns, contractors and consultants which come under personnel expenses.

Depreciation and amortisation increased by 85.4%, from Euro 1,707 thousand in 2009 to Euro 3,164 thousand in 2010.

Provisions were Euro 64 thousand in 2009 and Euro 0 thousand in 2010. The “Provisions” item relates to estimated impairment losses on receivables recognised in the relevant allowance for impairment at year end.

6.6 Other income and expenses

Other income and expenses fell by Euro 412 thousand in 2010, to a total of Euro 383 thousand from Euro 795 thousand in 2009.

Other income and expenses can be broken down as follows:

Description	2010	2009	Change
Prior year expense	(422)	(471)	49
Theft and losses	(300)	(306)	6
Other tax charges	(165)	(99)	(66)
Other expenses	(56)	(81)	25
Provisions for sundry risks	(69)	(215)	146
Prior year income	591	264	327
Reimbursements	37	113	(76)
Total	**(383)**	**(795)**	**412**

Prior year expense decreased by 10.4%, from Euro 471 thousand in 2009 to Euro 422 thousand in 2010. The item includes expenses arising from ordinary operations connected to sales volumes.

The “Theft and losses” item relates to occurrences of theft or loss of goods sent to end customers that are already identified as missing by year end, net of the relevant insurance cover.

Other tax charges increased by 66.7%, from Euro 99 thousand in 2009 to Euro 165 thousand in 2010.

Provisions for sundry risks in 2010 relate to estimated charge incurred due to theft and loss of goods not identified as missing at year end.

Prior year income increased by 123.9%, from Euro 264 thousand in 2009 to Euro 591 thousand in 2010. The item includes income arising from ordinary operations connected to sales volumes.

6.7 Non-recurring expenses

Non-recurring expenses can be broken down as follows:

Description	2010	2009	Change
IPO expenses	-	(3,950)	3,950
Total	**-**	**(3,950)**	**3950**

No non-recurring expenses were incurred in 2010.

Of the increase in this item in 2009, Euro 3,950 thousand related to expenses incurred for the IPO process for the purpose of listing the Company's shares on the Italian stock exchange organised and managed by Borsa Italiana S.p.A. As set out under IAS 32, costs amounting to Euro 2,341 thousand incurred for the listing process and relating directly to the planned increase in share capital and reserves, since they pertained directly to the public offering, were posted directly as equity transactions on materialisation of the cash flows arising from the successful completion of the process, which took place in the fourth quarter of 2009. For the part not pertaining to the public offering, these costs were posted to profit and loss in 2009.

6.8 Operating profit

As required by IAS 1, the following is a breakdown of costs by nature used to determine the operating profit.

Description	2010	2009	Change
Net revenues	183,377	131,640	51,737
Change in inventories	21,703	8,625	13,078
Purchase of goods	(128,388)	(82,646)	(45,742)
Services	(40,992)	(29,037)	(11,955)
Personnel expenses	(19,884)	(13,817)	(6,067)
Depreciation, amortisation and impairment losses	(3,701)	(2,217)	(1,484)
Other costs and revenues	(2,093)	(6,008)	3,915
Operating profit	**10,022**	**6,540**	**3,482**

Operating profit increased from Euro 6,540 thousand in 2009 to Euro 10,022 thousand in 2010. The operating margin widened from 5.0% in 2009 to 5.5% in 2010.
This significant increase was due to improved profitability on the back of the marked rise in volumes and the consequent better absorption of fixed costs.

Personnel expenses include all employment related expenses, such as merit pay rises, promotions, cost-of-living adjustments, variable remuneration for 2010, unused leave and provisions for 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 Incentive Plan, between the allocation and vesting dates, with a direct balancing entry in equity and employee payables.

The headcount totalled 351 at December 31, 2010 (274 at December 31, 2009). The table below shows the breakdown of the headcount at year end[24]:

Description	Dec. 31, 2010	Dec. 31, 2009
Managers	16	14
Junior managers	30	19
White-collars	305	241
Total	**351**	**274**

A 28.1% increase in headcount was therefore recorded at the end of 2010 by comparison with the previous year.

6.9 Financial income and expenses

Financial income increased from Euro 515 thousand in 2009 to Euro 866 thousand in 2010.

The following table shows the breakdown of financial income:

Description	2010	2009	Change
Exchange rate gains	620	323	297
Interest income on current account	48	81	(33)
Other financial income	198	111	87
Total	**866**	**515**	**351**

Exchange rate gains increased from Euro 323 thousand in 2009 to Euro 620 thousand in 2010. They mainly relate to translation of items to US dollars and Japanese yen and are strictly connected to the ordinary sale and purchase of goods.

Other financial income rose from Euro 111 thousand in 2009 to Euro 198 thousand in 2010. The balance at December 31, 2010 is made up of rebates cashed from the sale of cash funds and deposit certificates opened and surrendered in the reference period and of the fair value measurement of repurchase agreements in existence on December 31, 2010 totalling Euro 82 thousand.

Financial expenses decreased from Euro 1,756 thousand in 2009 to Euro 949 thousand in 2010.

The following table shows the breakdown of financial expenses:

Description	2010	2009	Change
Exchange rate losses	(629)	(540)	(89)
Interest expense	(65)	(735)	670
Other financial expenses	(255)	(481)	226
Total	**(949)**	**(1,756)**	**807**

Exchange rate losses, realised and unrealised, rose from Euro 540 thousand in 2009 to Euro 629 thousand in 2010. They mainly relate to translation of items to US dollars and Japanese yen and are strictly connected to the ordinary sale and purchase of goods.

Interest expense decreased by 91.2%, from Euro 735 thousand in 2009 to Euro 65 thousand in 2010. This decrease is due mainly to the repayment in full of the syndicated loan on December 15, 2009.

Other financial expenses decreased from Euro 481 thousand in 2009 to Euro 255 thousand in 2010. These refer to banks issuing sureties for third parties in the interest of the Group. This item includes premiums paid on exchange rate hedging contracts as well as the fair value measurement of these premiums.

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

6.10 Taxes

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

Description	2010	2009	Change
Current corporate income tax (1)	(2,941)	(3,079)	138
Current regional income tax (2)	(1,107)	(761)	(346)
Deferred taxes	168	1.294	(1,126)
Total	**(3,880)**	**(2,546)**	**(1,334)**

(1) IRES: Imposta sul Reddito delle Società (Corporate or Company Tax)
(2) IRAP: Imposta Regionale sulle Attività Produttive (Regional Tax on Production Activities)

The Company has incurred a greater tax burden in absolute terms compared with the situation at December 31, 2009. Current taxes have increased from Euro 3,840 thousand to Euro 4,048 thousand.

The IRAP tax burden at December 31, 2010 was Euro 1,107 thousand, compared with Euro 761 thousand at December 31, 2009. The IRES tax burden at December 31, 2010 was Euro 2,941 thousand, compared with Euro 3,079 thousand at December 31, 2009.

The Company also recognised deferred tax assets totalling Euro 2,616 thousand and deferred tax liabilities of Euro 72 thousand. Deferred tax assets of Euro 2,419 thousand and deferred tax liabilities of Euro 43 thousand that were recognised in 2009 were also reversed.

The amount in the income statement does not include the Euro 403 thousand of deferred taxes 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 the fiscal year 2009.

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)	2010	2009
Profit before tax	9,939	5,299
Rate	27.50%	27.50%
Theoretical tax	2,733	1,457
Effective tax	3,880	2,546
Difference	**1,147**	**1,089**
IRAP	1,107	760
Permanent taxes	263	1,724
Use of tax losses carried forward	-	(62)
Deferred taxes	(223)	(1,333)
Total difference	**1,147**	**1,089**

6.11 Basic and diluted earnings per share

Earnings per share are calculated on the basis of the Parent's performance, set out in Note 9.11 to the Consolidated Financial Statements. Please refer to this for further information.

Statement of financial position

6.12 Property, plant and equipment

At December 31, 2010, property, plant and equipment totalled Euro 8,229 thousand. The following is a summary of changes therein in 2010:

Description	Historical cost at Dec 31, 2009	Increases	Decreases	Historical cost at Dec 31, 2010	Acc. depreciation at Dec 31, 2009	Depr.	Utilisation	Acc. depreciation at Dec 31, 2010	Carrying amount at Dec 31, 2009	Carrying amount at Dec 31, 2010
Plant and equipment	**1,599**	**302**	**-**	**1,901**	**(773)**	**(266)**	**-**	**(1,039)**	**826**	**862**
Buildings	**1,318**	**114**	**-**	**1,432**	**(642)**	**(200)**	**-**	**(842)**	**676**	**590**
Leasehold improvements	1,318	114	-	1,432	(642)	(200)	-	(842)	676	590
Industrial & commercial equipment	**915**	**192**	**-**	**1,108**	**(494)**	**(163)**	**-**	**(657)**	**421**	**451**
Other assets	**3,251**	**1,361**	**-**	**4,612**	**(1,728)**	**(716)**	**-**	**(2,444)**	**1,524**	**2,169**
Furniture and furnishings	653	122	-	775	(414)	(132)	-	(546)	239	229
Electronic equipment	2,484	1,222	-	3,706	(1,221)	(570)	-	(1,791)	1,264	1,916
Vehicles	1	-		1	(1)	-		(1)	-	-
Other assets	113	17	-	130	(92)	(14)	-	(106)	21	24
Assets under construction and payments on account	**-**	**4,156**	**-**	**4,156**	**-**	**-**	**-**	**-**	**-**	**4,156**
General Total	**7,084**	**6,126**	**-**	**13,210**	**(3,636)**	**(1,345)**	**-**	**(4,981)**	**3,448**	**8,229**

The overall increase of Euro 6,126 thousand in property, plant and equipment was due mainly to the item "Assets under construction and payments on account" amounting to Euro 4,156 thousand, related to initial investment in the highly automated techno-logistics platform (Euro 3,522 thousand in the fourth quarter of 2010), and to technology infrastructure investments and the refurbishment of the new Milan offices as well as the new building at Zola Predosa into which the Company moved in February 2011, totalling Euro 634 thousand.

Under the scope of the project mentioned above, at December 31, 2010, the YOOX Group has existing commitments to purchase assets for a sum of Euro 9,430 thousand which will be sustained overall in the years 2011-2016.

The total increase in the category "Other assets" is mainly down to an investment of Euro 869 thousand in new servers, PCs and monitors held under finance leases. The remaining Euro 635 thousand mainly relates to an investment of Euro 370 thousand in data storage and Euro 122 thousand in costs incurred by the Company, chiefly to furnish the offices at the Bologna and Milan branches.

The increase of Euro 302 thousand in "Plant and equipment" mainly relates to the acquisition of new electrical equipment and optical readers used at the Bologna site, especially at the Interporto warehouse.

The Euro 114 thousand increase in "Leasehold improvements" is mainly due to permanent refurbishment work on the buildings leased for the branches at which the Group operates.

"Industrial and commercial equipment" recorded an increase of Euro 192 thousand during the year, mainly due to the purchase of photographic equipment for the Bologna Interporto warehouse.

Depreciation for the year totalled Euro 1,345 thousand.

At December 31, 2010, there were no liens or encumbrances on the property, plant and equipment of the Parent YOOX S.p.A.

Moreover, no impairment losses or revaluations were carried out on items of property, plant and equipment in 2010. In the year under review, no borrowing costs were ascribed to recognised assets.

6.13 Intangible assets with finite useful life

Intangible assets amounted to Euro 7,127 thousand at December 31, 2010.

The following is a summary of changes in intangible assets with finite useful life in 2010.

Description	Historical cost at Dec 31, 2009	Increases	Decreases	Historical cost at Dec 31, 2010	Acc. amortisation at Dec 31, 2009	Amort.	Acc. amortisation at Dec 31, 2010	Carrying amount at Dec 31, 2009	Carrying amount at Dec 31, 2010
Development costs	**3,944**	**5,361**	**-**	**9,305**	**(1,371)**	**(1,779)**	**(3,150)**	**2,573**	**6.155**
Software and licences	**2,039**	**832**	**-**	**2,871**	**(1,868)**	**(396)**	**(2,264)**	**171**	**607**
Brands and other rights	**141**	**55**	**-**	**197**	**(75)**	**(16)**	**(92)**	**66**	**105**
Trademarks and patents	141	55	-	197	(75)	(16)	(92)	**66**	**105**
Assets under development	**351**	**5,212**	**(5,563)**	**-**	**-**	**-**	**-**	**351**	**-**
Other	**1,353**	**166**	**-**	**1,519**	**(1,094)**	**(165)**	**(1,259)**	**259**	**260**
Other intangible assets	1,353	166	-	1,519	(1,094)	(165)	(1,259)	**259**	**260**
Total	**7,828**	**11,626**	**(5,563)**	**13,892**	**(4,408)**	**(2,356)**	**(6,765)**	**3,420**	**7.127**

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

Development costs

During 2010, this item increased by 5,361 thousand. The Group made a significant investment of Euro 5,018 thousand in development projects with long-term benefits: the remaining Euro 343 thousand arise from the previous year. 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: development of e-commerce platform functions, operational development of productivity and development of security and service 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 at the end of 2009, 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 832 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

This item amounted to Euro 105 thousand at December 31, 2010, having increased by Euro 55 thousand during 2010.

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

Assets under development

This item totalled Euro 0 thousand at December 31, 2010. All projects under way during 2010 had been completed by December 31, 2010.

Other intangible assets

“Other intangible assets” increased by Euro 166 thousand.

Amortisation for the year totalled Euro 2,356 thousand.

6.14 Investments in subsidiaries

The list of subsidiaries at December 31, 2010 comprises the following subsidiaries of YOOX S.p.A.:

- YOOX Corporation, formed in 2002 to manage sales activities in America;
- YOOX Japan, formed in 2004 to manage sales activities in Japan;
- Y Services, formed in 2007 to manage the US sales of the Online Stores for the following brands: Diesel, Marni and D&G;
- Mishang Trading (Shanghai) Co. Ltd, formed in the fourth quarter of 2010 to manage sales in China.

Company (Thousand Euro)	Registered offices	Carrying amount of the subsidiaries at Dec.31, 2010	Share capital at Dec. 31, 2010	Percentage held at Dec. 31, 2010	Equity at Dec. 31, 2010 and measurement using the equity method	Profit/(loss) for 2010
YOOX Corporation	15 East North Dover, Delaware 19901, United States of America	333	248	100%	3,214	2,212
Y Services	Delaware, 1220 Market St. Ste 806, Wilmington 19801, United States of America	124	124	100%	660	197
YOOX Japan	Grande Maison Daikanyama No. 1001 150 0022 Shibuya-ku, Tokyo, Japan	90	75	100%	1,960	860
Mishang Trading (Shanghai) Co. Ltd	Floor 6, Donglong Building No.223 Xikang Road, Jing'an District 200050 SHANGHAI	1,000	1,000	100%	804	(203)
Total carrying amount of investments		1,547	1,447			

As described above, Chinese-registered company Mishang Trading (Shanghai) Co. Ltd was incorporated in the fourth quarter of 2010. It is a wholly-owned subsidiary of YOOX S.p.A. with share capital of Euro 1,000 thousand. The Shanghai office will be led by a country manager with a local team that will deal with technology, purchasing and merchandising, communication and retail marketing, content management, web design and customer care. A logistics centre has also been opened in Shanghai, equipped with digital production studios for cataloguing activities and carrying out photographic shoots.

The Euro 1,547 thousand carrying amount of the equity investments of the Parent YOOX S.p.A. differs by Euro 100 thousand owing to the effect of recognising the cost of share-based payments in accordance with the amendment to IFRS 2 – Share-based Payments (described in Note 6 – Accounting standards, amendments and interpretations applied from January 1, 2010), increasing the equity investments of the Parent offset by higher reserves for share-based payments in the packages of subsidiaries with beneficiaries of such instruments in their workforce.

6.15 Deferred tax assets

Description	Dec. 31, 2010	Dec. 31, 2009	Change
Deferred tax assets	3,044	2,957	87
Total	**3,044**	**2,957**	**87**

Changes in deferred tax assets during 2010 are shown in the following table:

Description	Dec. 31, 2009	Increases	Utilisation	Dec. 31, 2010
Deferred tax assets	2,957	3,043	(2,956)	3,044
Total	**2,957**	**3,043**	**82,956)**	**3,044**

The following table shows a breakdown of deferred tax assets at December 31, 2010:

Description of taxable item	*Dec. 31, 2010*	*2010 tax rate*	*Tax recorded in 2010*
Entertainment expenses	13	31.4%	4
Provisions	5,451	Various%	1,597
Directors' fees	531	27.5%	146
Unissued credit notes	586	31.4%	184
Expenses for 2009 Red Circle share capital increase	61	27.5%	17
Unrealised exchange rate losses	70	27.5%	19
2009 IPO costs	3,774	27.5%	1,038
Other items	125	Various	40
Total	**10,611**		**3,044**

Deferred tax assets rose by 3% from Euro 2,957 thousand at December 31, 2009 to Euro 3,044.thousand at December 31, 2010.

Deferred tax assets at December 31, 2010 were recognised in relation to:

- the allowance for impairment;
- the provisions for obsolete inventories;
- the provisions for risks and charges (provisions for disputes, provisions for fraud and provisions for theft and loss, respectively);
- entertainment expenses for 2007;
- directors' fees unpaid at December 31, 2010;
- 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 during 2009 for the process of listing on the Italian stock exchange organised and managed by Borsa Italiana S.p.A.;
- other minor items.

The increase compared with December 31, 2009 is due mainly to an increase in provisions for obsolete inventories and provisions for risks and charges.

6.16 Other non-current financial assets

Other non-current financial assets totalled Euro 67 thousand at December 31, 2010 (Euro 52 thousand at December 31, 2009) and relate to guarantee deposits, as broken down below:

Description	Dec. 31, 2010	Dec. 31, 2009	Change
Guarantee deposits	67	52	15
Total	**67**	**52**	**15**

Guarantee deposits as of December 31, 2010 relate to the signing 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. Other non-current financial assets are due to be repaid over more than 5 years.

6.17 Inventories

Description	Dec. 31, 2010	Dec. 31, 2009	Change
Inventories	64,778	43,089	21,689
Total	**64,778**	**43,089**	**21,689**

The following is a breakdown of inventories at December 31, 2010:

Description	Dec. 31, 2010	Dec. 31, 2009	Change
Inventories of raw materials, consumables and supplies	293	195	98
Total	**293**	**195**	**98**
Finished products and goods	69,321	46,395	22,926
Provision for obsolete finished products and goods	(4,836)	(3,501)	(1,335)
Total	**64,485**	**42,894**	**21,591**
Total inventories	**64,778**	**43,089**	**21,689**

Inventories rose by 50.3% from Euro 43,089 thousand at December 31, 2009 to Euro 64,778 thousand at December 31, 2010, and relate to goods that have been purchased for subsequent resale online.

The increase is only partly linked to the higher revenue in 2010. The Parent's business model involves purchasing goods in advance, sometimes in the year before the selling 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 and changes to provisions for obsolete inventories are shown below:

Description	Dec. 31, 2009	*Increases*	*Decreases*	Dec. 31, 2010
Provision for obsolete inventories	3,501	1,335	-	4,836
Total	**3,501**	**1,335**	**-**	**4,836**

The provision for obsolete inventories reflected in the statement of financial position has a carrying amount deemed appropriate for the actual quantities of obsolete or slow-moving goods on hand.

6.18 Trade receivables

The breakdown of trade receivables at December 31, 2010 and December 31, 2009 is as follows:

Description	Dec. 31, 2010	Dec. 31, 2009	Change
Due from customers	2,692	2,451	241
Other trade receivables	5,040	3,182	1,858
Due from foreign subsidiaries	8,298	5,417	2,881
Allowance for impairment	(79)	(79)	-
Total	**15,951**	**10,971**	**4,980**

The receivables due from customers all due 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, set-up fees paid to the Group by Strategic Partners for whom the Group designs and creates Online Stores. They are measured according to fees accrued in the year based on the stage of service completion.

The table below shows changes in the allowance for impairment in 2010:

Description	Dec. 31, 2009	*Increases*	*Decreases*	Dec. 31, 2010
Allowance for impairment	79	-	-	79
Total	**79**	**-**	**-**	**79**

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. No further provisions were required in 2010.

6.19 Other current assets

Description	Dec. 31, 2010	Dec. 31, 2009	*Change*
Other current assets	5,363	1,998	3,365
Total	**5,363**	**1,998**	**3,365**

The following is a breakdown of other current assets at December 31, 2010:

Description	Dec. 31, 2010	Dec. 31, 2009	*Change*
Other receivables	3,103	569	2,534
Allowance for impairment – receivables from others	(221)	(221)	-
Advances to suppliers	41	2	39
Travel and payroll advances to employees	4	-	4
Due from acquirers	600	478	122
Prepayments and accrued income	907	496	411
Tax receivables	900	659	241
Hedging derivatives	29	15	14
Total	**5,363**	**1,998**	**3,365**

The item “Other receivables” includes:

- mainly credit notes from suppliers who still need to refund money to the Company and advance payments to suppliers for the purchase of goods for which 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 relates to the loan to the Greek tax representative, which is deemed unrecoverable.

The change in the allowance for impairment – receivables from others during 2010 is as follows:

Description	Dec. 31, 2009	*Increases*	*Decreases*	Dec. 31, 2010
Allowance for impairment – receivables from others	221	-	-	221
Total	**221**	**-**	**-**	**221**

The item “Advances to suppliers” includes payments on account to providers of services purchased in 2010 for which the providers have yet to provide the service.

The item “Due from acquirers” reflects customer payments already collected by Italian and foreign acquirers but not yet paid over to the Group at December 31, 2010.

The “Prepayments” item mainly comprises costs relating to future years recognised financially in 2010.

These are mainly software licence fees, insurance costs, lease payments, prepayments for trademark royalties and prepayments for professional consultancy. The increase on 2009 is in line with the increase in business volume.

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

Description	Dec. 31, 2010	Dec. 31, 2009
Tax receivables	157	48
VAT credit for the year	743	611
Total	**900**	**659**

6.20 Cash and cash equivalents and current financial assets

The breakdown of the item Cash and cash equivalents at December 31, 2010 is as follows:

Description	Dec. 31, 2010	Dec. 31, 2009	*Change*
Bank and postal accounts	16,588	30,330	(13,742)
Cash and cash equivalents on hand	7	10	(3)
Total	**16,595**	**30,340**	**(13,745)**

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, 2010 is as follows:

Description	Dec. 31, 2010	Dec. 31, 2009	*Change*
Banca Pop. di Novara securities account	5,000	-	5,000
Amortised cost adjustment of current financial assets	82	-	82
Total current financial assets	**5,082**	**-**	**5,082**

Current financial assets, equal to Euro 5,082 thousand, refer to Repurchase Agreements with a low risk profile and short term (less than twelve months) agreed with major national Credit Institutions with a high credit rating.
Investment in these financial assets is the one of the reasons for the reduction in cash between December 31, 2009 and December 31, 2010.

The financial assets held by the Group at December 31, 2010 and classified as “held to maturity” are measured at amortised cost at the end of every reporting period.

For a more detailed analysis of changes in net financial position, see Note 7.23.

6.21 Equity

The breakdown of changes in equity at December 31,2010 is presented in a separate table.

The share capital of Euro 518 thousand at December 31, 2010 (Euro 504 thousand at December 31, 2009) increased over the course of 2010 following the exercise of stock options by beneficiaries. The Board of Directors resolved to allocate 564,200 ordinary shares to certain beneficiaries of 10,850 options arising from certain stock option plans on January 18, 2010, 119,600 ordinary shares to a beneficiary of 2,300 options arising from a stock option plan on May 11, 2010, 174,200 YOOX S.p.A. ordinary shares on August 5, 2010 following the exercise of 3,350 options by a beneficiary, 312,000 YOOX S.p.A. ordinary shares on September 10, 2010 following the exercise of 6,000 options by a beneficiary, and 189,800 YOOX S.p.A. ordinary shares following the exercise of 3,650 options by a beneficiary. The cumulative amount was Euro 14 thousand.

The reserves are composed as follows:

- the share premium reserve was Euro 55,390 thousand at December 31, 2010 (Euro 54,127 thousand at December 31, 2009); this reserve increased over the course of the first half of 2010 following the

exercise of stock options on the part of the beneficiaries in question. The Board of Directors resolved to allocate 564,200 ordinary shares to certain beneficiaries of 10,850 options arising from certain stock option plans on January 18, 2010, 119,600 ordinary shares to a beneficiary of 2,300 options arising from a stock option plan on May 11, 2010, 174,200 YOOX S.p.A. ordinary shares on August 5, 2010 following the exercise of 3,350 options by a beneficiary, 312,000 YOOX S.p.A. ordinary shares on September 10, 2010 following the exercise of 6,000 options by a beneficiary, and 189,800 YOOX S.p.A. ordinary shares following the exercise of 3,650 options by a beneficiary. The cumulative amount was Euro 1,397 thousand. The increase in the share premium reserve was recognised net of Euro 134 thousand in deferred tax assets accrued in 2009 and since released pursuant to IAS 32, and totalled Euro 1,263 thousand net of prepaid taxes;

- legal reserve, which totalled Euro 193 thousand at December 31, 2010 (Euro 193 thousand at December 31, 2009), consists of accruals of 5% of Parent profits every year. This reserve did not increase in 2010 since it had reached the limit imposed by Article 2430 of the Italian Civil Code at December 31, 2009 and maintained it at December 31, 2010;

- reserve for future increases in share capital and share premium reserve, which amounted to Euro 935 thousand at December 31, 2010 (Euro 417 thousand at December 31, 2009), includes liabilities to individuals who had paid to exercise stock options at December 31, 2010, but to whom the Company had not made the corresponding ordinary shares available by the end of the year;

- reserve for purchase of treasury shares totalling Euro 362 thousand (compared with a value of 0 at December 31, 2009). On July 13, 2010, the Company reported that it had started a programme to buy back its treasury shares, implementing the decisions taken by the shareholders' meeting on October 7, 2009 and by the Board of Directors on July 1, 2010. The share buyback programme is aimed at obtaining the necessary shares for its 2009-2014 Incentive Plan for the employees at YOOX S.p.A. and its subsidiaries, which was approved by the shareholders in their meeting of September 8, 2009. To date, the Group has purchased a total of 62,000 ordinary shares of YOOX S.p.A., equal to 0.1214% of the share capital at the time, at an average unit price of Euro 5.836485 per share, including commissions, for a total amount of Euro 361,862.06. The purchase of treasury shares is directly recognised under equity in accordance with IAS 32;

- other reserves, equal to Euro 7,957 thousand at December 31, 2010 (Euro 4,229 thousand at December 31, 2009) only include the reserve for evaluation of the stock options at fair value;

- retained earnings (losses carried forward) amount to a loss carried forward of Euro 6,829 thousand at December 31, 2010 (Euro 9,582 thousand at December 31, 2009), down by Euro 2,753 thousand due to the allocation of profit for 2009.

6.22 Stock option plans and company incentive plans

Granting of stock options

Following approval of the share-split at the Extraordinary Shareholders' Meeting of the Parent on September 8, 2009, beneficiaries of stock option plans exercising their options will be entitled to 52 ordinary shares of the Company for every option exercised.

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, 2010 the Board of Directors had granted the following options, outlined in the table below:

Stock option plans	*Granted (a)*	*Expired (b)*	*Exercised (c)*	*Total granted, not expired or not exercised (d = a-b-c)*	*Granted, not vested*	*Granted, vested, not exercisable*	*Granted, vested and exercisable*
2001 – 2003	80,575	31,560	37,924	11,091	4,591	0	6,500
2003 – 2005	36,760	3,000	11,247	22,513	22,513	0	0
2004 – 2006	32,319	12,650	4,938	14,731	13,731	0	1,000
2006 – 2008	31,303	200	9,683	21,420	14,703	0	6,717
2007 – 2012	102,600	3,650	12,772	86,178	76,562	4,950	4,666
2009 – 2014	62,850[25]	4,812	0	58,038	58,038	0	0
Total	**346,407**	**55,872**	**76,564**	**213,971**	**190,138**	**4,950**	**18,883**

At December 31, 2010, 28,747 options may be granted under the above plans.

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

Exercise prices[26]

	€ 15.91	**€ 46.48**	**€ 59.17**	**€ 106.50**	**€ 131.78**	**€ 277.68**	**€ 305.24**	**€ 360.99**	**€ 406.64**	**Total options**	**Share total**
2001 – 2003	1,250	5,091	0	4,750	0	0	0	0	0	11,091	576,732
2003 – 2005	0	20,673	0	1,840	0	0	0	0	0	22,513	1,170,676
2004 – 2006	0	10,531	0	2,500	1,700	0	0	0	0	14,731	766,012
2006 – 2008	0	0	21,420	0	0	0	0	0	0	21,420	1,113,840
2007 – 2012	0	0	79,228	6,950	0	0	0	0	0	86,178	4,481,256
2009 – 2014	0	0	0	0	0	42,318	13,002	963	1,755	58,038	3,017,976
Total	**1,250**	**36,295**	**100,648**	**16,040**	**1,700**	**42,318**	**13,002**	**963**	**1,755**	**213,971**	**11,126,492**

It should be noted that:

- on March 11, 2010 the Board of Directors of the Parent approved the regulations for the 2009-2014 Stock Option Plan and granted 46,167 options valid for the subscription of 2,400,684 shares at a subscription price per share of Euro 5.34, which is calculated by taking the weighted average of the prices recorded by the shares on the Italian stock exchange organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the Grant Date;

- on July 1, 2010, the Board of Directors of the Parent granted 13,965 options valid for the subscription of 726,180 shares at a subscription price per share of Euro 5.87, which is calculated by taking the weighted average of the prices recorded by the shares on the Italian stock exchange organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the Grant Date;

- on September 23, 2010, the Board of Directors of the Parent granted 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 Italian stock exchange organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the Grant Date. These options were granted on the condition that a working relationship be established between YOOX, or its subsidiaries, and the beneficiary. On February 1, 2011, the related suspension of the granting was verified;

- on December 16, 2010, the Board of Directors of the Parent granted 1,755 options valid for the subscription of 91,260 shares at a subscription price per share of Euro 7.83, which is calculated by

[25] Including 963 options corresponding to 50,076 shares granted to a beneficiary and for which the related suspension for the granting was verified on February 1, 2011.

[26] The price indicated in the table is the exercise price of the options. To calculate the exercise price of the individual shares it is necessary to divide by 52 since, as specified above, following the share-split decision by the Parent Shareholders in their Extraordinary Meeting of September 8, 2009, the recipients of the stock option plans will be entitled, if they exercise their option rights, to obtain 52 ordinary company shares for each option right exercised.

taking the weighted average of the prices recorded by the shares on the Italian stock exchange organised and managed by Borsa Italiana S.p.A., during the 30 (thirty) trading days prior to the Grant Date.

Granting of shares

On July 1, 2010, the Board of Directors of the Parent approved the Regulations of the 2009-2014 Incentive Plan in compliance with the decision of the Shareholders in their Ordinary Meeting of September 8, 2009. In accordance with the 2009-2014 Incentive Plan Regulations, the Board of Directors approved:

- the granting of 124,436 ordinary shares of the Parent to 25 employees at no charge on July 1, 2010. The granting was proposed by the Remuneration Committee, which also determined the amount to be awarded to the employees;

- the granting of 17,420 YOOX ordinary shares to five employees at no charge on December 16, 2010. The granting was proposed by the Remuneration Committee, which also determined the amount of the bonus to be awarded. Shares granted under this transaction will be subject to the terms and conditions set out in the Plan Regulations, where applicable.

On December 31, 2010, 4 of the 30 employees who were granted options lost this right as they resigned. This involved the expiry of 16,068 ordinary shares granted on July 1, 2010.

A share purchase programme was set up for this purpose in order to comply with the decision of the shareholders in their meeting of October 7, 2009 and the meeting of the Board of Directors of July 1, 2010. The share purchase programme aims to acquire sufficient shares for the 2009-2014 Incentive Plan for employees of the Parent and its subsidiaries. In particular and in compliance with the decision of the Board of Directors of July 1, 2010, the programme involves the purchase of YOOX S.p.A. ordinary shares, with no indication of the nominal amount, up to a maximum of 312,000 ordinary shares, equal to 0.6107% of the share capital on the purchase date (from July 2 to July 7, 2010).
At December 31, 2010, the Parent has purchased, through Mediobanca Banca di Credito Finanziaria S.p.A., in the period from July 2, 2010 to July 7, 2010, a total of 62,000 YOOX S.p.A. ordinary shares, representing 0.1198% of the share capital at December 31, 2010, at an average price of Euro 5.836485 per share before fees, for a total of Euro 361,862.06.

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

At a meeting on January 31, 2005, the Board of Directors took full advantage of the powers conferred by the Shareholders in their Extraordinary Meeting of March 22, 2000 and subsequent amendments, pursuant to Article 2443 of the Italian Civil Code, by 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 Shareholders in their Extraordinary Meeting of July 31, 2000 and subsequent amendments, pursuant to Article 2443 of the Italian Civil Code, by increasing the share capital to service the stock option plan via the issue of up to 1,483,924 new shares with an implicit unit price of Euro 0.01, a premium of Euro 0.8839 on each new share, and standard dividend rights. Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline for subscription was set at January 31, 2015, with the provision that, if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

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

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

At a meeting on September 3, 2009, the Board of Directors took full advantage of the powers conferred by the Shareholders in their Extraordinary Meeting of December 2, 2005 and subsequently amended by resolution of the Shareholders in their Extraordinary Meeting of July 12, 2007, pursuant to Article 2443 of the Italian Civil Code, by 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 powers conferred by the Shareholders in their Extraordinary Meeting of May 16, 2007, pursuant to Article 2443 of the Italian Civil Code, by increasing the share capital – excluding option 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 was established 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 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 the Extraordinary Meeting of September 8, 2009, the Shareholders resolved on a share capital increase through payment in one or more tranches, subject to commencement of trading in shares of the Company on the STAR segment of the Italianstock exchange 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 price 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 price 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.

Implementation 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, contractors, consultants and directors of the Company and its subsidiaries, the following options were approved at December 31, 2010:

- 21,463 options, corresponding to 1,116,076 shares, by the Shareholders in their Extraordinary Meeting of March 22, 2000, as subsequently amended by the Shareholders in their Extraordinary 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 Shareholders in their Extraordinary 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 Shareholders in their Extraordinary Meeting of July 18, 2002, as subsequently amended by the Shareholders in their Extraordinary Meeting of December 2, 2005 (2003-2005 plan);

- 19,669 options, corresponding to 1,022,788 shares, by the Shareholders in their Extraordinary Meeting of December 10, 2003, as subsequently amended by the Shareholders in their Extraordinary Meeting of December 2, 2005 (2004-2006 plan);
- 31,303 options, corresponding to 1,627,756 shares, by the Shareholders in their Extraordinary Meeting of December 2, 2005 (2006-2008 plan);
- 104,319 options, corresponding to 5,424,588 shares, by the Shareholders in their Extraordinary Meeting of May 16, 2007 (2007-2012 plan)[27];
- 4,732,000 shares, by the Shareholders in their Extraordinary Meeting of September 8, 2009, of which up to 85,000 options (2009-2014 plan) are valid for subscription of 4,420,000 shares and up to 312,000 shares may be granted (2009-2014 incentive plan).

6.23 Medium-long term financial liabilities – bank loans and other liabilities

Liabilities with banks and other lenders amounted to Euro 6,446 thousand at December 31, 2010 and Euro 1,006 thousand as at December 31, 2009.

Description	Dec. 31, 2010	Dec. 31, 2009	*Change*
Medium-long term financial liabilities	846	693	153
Bank loans and other liabilities	5,600	313	5,287
Total	**6,446**	**1,006**	**5,440**

The following table shows the breakdown of debt at December 31, 2010:

Lending institution	*Amount*	*Nature of facility*	*Rate*	*Current portion*	*Non-current portion*
Syndicated bank loan	5,030	Stand-by revolving loan	Euribor 3m + 1.25%	5,030	-
Simest S.p.A.	386	Subsidised loan Law 394/81	1.38%	154	232
BNP Paribas finance leases	1,030	Finance leases	Euribor 3m + 2% non-indexed	416	614
Total	**6,446**			**5,600**	**846**

The syndicated bank loan (lead bank: Unicredit Corporate Banking S.p.A.) was fully repaid on December 15, 2009.

The terms of the above loan were renegotiated via an agreement modifying the stand-by revolving syndicated loan contract at February 17, 2010, applicable from December 15, 2009.

The contract in force to December 31, 2009 can be described as follows:

The syndicated loan consists of a line of credit amounting to Euro 21,000 thousand in total (hereinafter the "Credit Line"), issued by UniCredit Corporate Banking S.p.A., Banca Nazionale del Lavoro S.p.A. and Banca Popolare di Novara S.p.A. (as the lending banks) in the form of an unsecured loan agreement. The purpose of the loan is to strengthen the Company's financial resources, to repay short-term debt and to support business operations for which the Company requires working capital. The lending banks are equal participants in the Credit Line (33.3% of the total amount) with equal and separate liability.

In summary, the Credit Line has the following characteristics:

1. a maximum principal of Euro 21,000 thousand;
2. the sum is available in one or more drawdowns, up to the maximum amount of Euro 21,000 thousand. Availability is replenished at the due dates of the individual drawdowns;
3. interest is due on the sums utilised and not yet repaid at an annual nominal interest rate obtained by increasing the 3m or 6m Euribor by 1.50 percentage points, rounding up to the nearest 0.05 per cent (hereinafter the "Contractual Rate");

[27] The Board of Directors took partial advantage of the powers conferred by the Shareholders in their Extraordinary Meeting, 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.

4. the overdue interest rate is equal to the Contractual Rate in effect, plus 2.00 percentage points. This interest will not be subject to periodic discounting;
5. obligatory early repayment. The request for obligatory early repayment must be drawn up jointly by the banks in the event that, for example, the Company carries out a share capital increase when it lists on the stock exchange. In this event, the repayable amount will be 10% of the total amount of the Credit Line;
6. termination of the contract. The request for termination of the contract must be drawn up jointly by the banks, pursuant to Article 1456 of the Italian Civil Code, when there is any compliance failure on the part of the Company in relation to terms including the allocation of the Credit Line, regular payment of instalments and any other sums owing, documents provided to the bank and any contractual obligations undertaken.

The due date of the Credit Line (hereinafter the “Due Date”) is June 15, 2013. The Group will make provision for the repayment of the Credit Line by the Due Date, including the principal, interest and any other ancillary payments. The Credit Line was fully repaid on December 15, 2009.

The above loan agreement stipulates that the Company, for the term of the agreement, must meet determined financial covenants, with different figures required under the contract for each year of the agreement. The indicators will be calculated at the end of each business year.

To guarantee the syndicated loan, YOOX S.p.A. has agreed to comply with the following financial covenants in 2010:

- A leverage ratio (net financial position/equity) of less than 1.50.
- A debt cover ratio (net financial position/gross operating profit) of less than 2.25.
- An inventory ratio (inventories/net financial position) of more than 1.50.

The covenants were calculated until December 31, 2009 with reference to the consolidated annual financial statements prepared under Italian GAAP and using the following definitions:

- Net Financial Position: Loans net of available cash.
- Gross operating profit: Total revenues net of purchases, external service costs and other costs, and net of personnel expenses in accordance with an income statement format agreed with the syndicate banks.
- Equity: Item A) in the liabilities section of the statement of financial position.
- Inventories: Item C I) of the assets section of the statement of financial position.

Full compliance with all the above mentioned financial covenants will be verified within 30 (thirty) days of the approval of each individual financial statements and will be performed by the lead bank.

Failure to comply (or even only “incomplete” compliance) with the obligations in this article, even only once and severally, will give the “Lead Bank” the right to reduce or suspend the use of the loan in question, as well as prohibit further use, without prejudice, in such a case, to the Banks’ power, through their joint agreement, to terminate the contract (in other words to declare that the term has expired), and where, in the meantime, the Company has not effectively implemented a definitive solution for this contractual non-fulfilment.

Changes due to the agreement amending the stand-by revolving syndicated loan contract of June 16, 2008 are reported below. The amending agreement is dated February 17, 2010 and was effective from December 15, 2009:

a) In accordance with Article 6-ter of the Contract (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 financed amount, 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 modalities of use) of the Contract, at 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 a multiple of this amount.

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 terms of repayment) of the Contract is amended as follows:

Repayment plan

Date	*Amount*	*Residual credit line*
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 view of points (a) and (b) above, the parties hereby recognise and state that Article 3-bis (Obligatory early repayment) of the Contract will no longer apply and shall be deemed to be annulled as of December 15, 2009. Any reference made in the Contract or its appendices to the aforementioned Article 3-bis or to its content shall therefore be considered inapplicable;

d) As a partial amendment to Article 14 (Covenants) of the Contract, the banks and the Company acknoledge 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 Contract, will have the following new definitions:

   1) NFD or NFP (Net Financial Debt or Net Financial Position): defined as the sum of cash and cash equivalents, other current financial assets, net of bank loans and other financial liabilities falling due within one year, other current financial liabilities and medium-long term financial liabilities. Net financial debt is not recognised as an accounting item under Italian GAAP or the IFRS endorsed by the European Union.

   2) EBITDA or GOM (Gross Operating Profit): defined as 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 Contract 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 31 December, 2010 and, December 31, 2009, 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 contract provisions i) and m/3) and to replace them with the following provisions:

i) the Company undertakes to inform the lead bank in writing of the assumption of financial debt 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 contracted; m/3) the Company will have the right to contract financial debt 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, 2010.

Description	Dec. 31, 2010	Dec. 31, 2009	*Change*
Cash and cash equivalents	16,595	30,340	(13,745)
Current financial assets	5,082	-	5,082
Other current financial assets	29	15	14
Bank loans and other liabilities	(5,600)	(313)	(5,288)
Other current financial liabilities	(26)	(20)	(6)
Net current financial position	**16,079**	**30,022**	**(13,943)**
Medium-long term financial liabilities	(846)	(693)	(153)
Net financial position([1])	**15,233**	**29,329**	**(14,096)**

(2) As defined in CONSOB communication DEM/6064293 of July 28, 2006 in accordance with CESR recommendations of February 10, 2005.

During 2010, the Company's net financial position worsened by Euro 14,096 thousand, from Euro 29,329 thousand at December 31, 2009 to Euro 15,233 thousand at December 31, 2010.

6.24 Employee benefits

This item refers exclusively to the post-employment benefits recorded by the Parent in accordance with current legislation. Changes in defined benefit plans for employees in 2010 are summarised below:

Description	Dec. 31, 2009	*Provisions*	*Utilisation*	Dec. 31, 2010
Employee benefits	219	33	(39)	213

The main technical, demographic and economic parameters used in the actuarial calculation of the liability for employee benefits at December 31, 2010 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	10%
Discount rate (euro swap)	Government rate curve as at Dec. 31, 2010
Maximum % of accrued post-employment benefits requested in advance	70%
Probability of requests for advances	3.3%
Annual increase in the cost of living	2% per year

6.25 Deferred tax liabilities

The following table shows the breakdown of, and changes in, deferred tax liabilities at December 31, 2010:

Description	Dec. 31, 2009	*Increases*	*Utilisation*	Dec. 31, 2010
Deferred tax liabilities	43	69	(43)	69
Total	**43**	**69**	**(43)**	**69**

Description of taxable item	Dec. 31, 2010	2010 tax rate	Tax recorded in 2010
Financial instruments at fair value	7	27.5%	2
Employee benefits	26	27.5%	7
Unrealised exchange rate gains	15	27.5%	4
IAS 17 effect (finance leases)	106	27.5%	29
Progress of set-up fees for Online Stores	24	27.5%	7
Fair value of investments in current financial assets	73	27.5%	20
Total	**251**		**69**

6.26 Provisions for current and non-current risks and charges

This item reflects provisions for estimated current liabilities at December 31, 2010, the timing and extent of which cannot be determined. The following table shows the breakdown of the item and changes in 2010:

Description	Dec. 31, 2009	*Increases*	*Adjustments*	*Utilisation*	Dec. 31, 2010
Provision for theft and loss	104	59	-	(104)	59
Provision for fraud	184	189	-	(65)	308
Other provisions for risks and charges	78	10	157	(78)	167
Total provisions for current risks and charges	**366**	**257**	**157**	**(247)**	**534**
Provision for disputes	37	-	-	(37)	-
Other provisions for risks and charges	269	-	(157)	-	112
Total provisions for non-current risks and charges	**306**	**-**	**(157)**	**(37)**	**112**
Total provisions for risks and charges	**672**	**257**	**-**	**(284)**	**646**

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 59 thousand following a new estimate.

During the year, Euro 65 thousand was utilised from the provision for fraud, and it was therefore deemed appropriate to proceed with a further accrual of Euro 189 thousand, to cover against fraud committed via online sales paid for by credit card. This provision was calculated taking into account the historical incidence of the value of fraud in relation to the value of sales.

Following the end of a dispute with a former employee, resulting in said employee being prevented from claiming any sum from the YOOX Group, the provisions for disputes – which was amounted to Euro 37 thousand on December 31, 2009 – was released entirely.

Other provisions for current and non-current risks and charges includes provisions for risks in relation to probable liabilities, which are recognised pursuant to IAS 37.

6.27 Trade payables

The following table shows a breakdown of trade payables at December 31, 2009:

Description	Dec. 31, 2010	Dec. 31, 2009	Change
Due to suppliers	32,484	19,584	12,900
Credit notes to be received from suppliers	(526)	(850)	324
Invoices to be received from suppliers	10,960	5,930	5,030
Due to credit card operators	46	36	10
Total	**42,964**	**24,700**	**18,264**

Trade payables increased by 73.9%, from Euro 24,700 thousand as of December 31, 2009 to Euro 42,964 thousand at December 31, 2010.

Trade payables are all liabilities relating to purchases of goods and services from the Company's suppliers. They are recorded at their nominal amount. Since they are all due within one year, none are subject to discounting. The "Due to suppliers" item includes all amounts due to suppliers, both for the supply of finished products and raw materials, and for the supply of intangible assets.

The increase during the year is linked to the rise in sales volumes, which, due to the Company's business model, necessitates the purchase of goods in advance of the selling season.

This resulted in a corresponding increase in debt. The increase at December 31, 2010 is also due to the effect of revised payment terms with the Company's main suppliers.

6.28 Tax liabilities

Current tax liabilities relate exclusively to the current income tax liability of YOOX S.p.A.

Description	Dec. 31, 2010	Dec. 31, 2009	Change
Current income taxes – IRES and IRAP – Parent	341	3,356	(3,015)
Total	**341**	3,356	**(3,015)**

During the course of 2010, there was a fall of Euro 3,015 thousand, or 89.8%, from Euro 3,356 thousand at December 31, 2009 to Euro 341 thousand at December 31, 2010 as a result of the joint payment of the 2009 balance and the first 2010 payment on account made in June 2010.

6.29 Other liabilities

The following table shows a breakdown of liabilities at December 31, 2010:

Description	Dec. 31, 2010	Dec. 31, 2009	Change
Due to social security institutions	1,433	1,003	430
Credit notes to be issued to customers	3,890	3,527	363
Due to directors	545	210	335
Due to employees	1,717	1,432	285
Due to tax representatives	3,297	2,531	766
Other liabilities	2,322	5,358	(3,036)
Accrued expenses and deferred income	39	25	14
Total	**13,243**	**14,086**	**(843)**

The item "Due to social security institutions" reflects contributions payable to social security institutions, mainly on the amounts paid to employees at year end.

The item "Due to tax representatives" reflects indirect tax liabilities. Sales carried out in European countries during 2010 and 2009 exceeded the threshold set in Article 41.1.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.

The "Other liabilities" item includes credit notes to be issued to customers, since these represent a known liability for sales returns made in 2010. The item increased in 2010 in line with the increase in sales volumes on the previous year.

The substantial change in "Other liabilities" compared with December 31, 2009 is mainly due to the payment in the first half of 2010 of Euro 3,645 thousand of liabilities for withholding tax on employees and consultants deriving from the sale of shares by shareholders and the exercising of stock options by some beneficiaries at December 31, 2009.

Statement of cash flows

6.30 Profit for the year, taxes for the year, depreciation and amortisation, income taxes paid

Details of profit for the year, taxes for the year, depreciation and amortisation and other non-monetary income statement items are provided in Notes 6.3, 6.4, 6.5, 6.10 and 6.11 respectively.

In relation to the tax charge in 2010 of Euro 3,880 thousand (Euro 2,546 thousand in 2009), tax payments amounting to Euro 6,956 thousand were made (Euro 1,270 thousand in 2009) 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 Parent operates.

6.31 Other net non-monetary income and expenses

Other net non-monetary income and expenses include non-monetary items on the income statement other than income tax, depreciation and amortisation and provisions that are classified as a direct deduction from assets (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 foreign exchange fluctuations and recognised interest income and expenses. In relation to these last items, interest received and interest paid are presented separately.

6.32 Change in trade receivables, inventories and trade payables

This item reports the use or generation of cash relative to net working capital, i.e. changes in trade receivables, inventories and trade payables. Changes in trade payables refer exclusively to supplies of raw materials, goods and services, excluding the change in payables to suppliers of investments, which are reported in the section of the statement of cash flows from or used in investing activities.

6.33 Change in other current assets and liabilities

This item reflects the change in all other current assets and liabilities, net of the effects of recognising non-monetary income and expenses, i.e. the change in the balances with a direct effect on the use or generation of cash.

6.34 Acquisition of property, plant and equipment and proceeds from the sale of property, plant and equipment

Cash flow for the acquisition of property, plant and equipment reflects both expenditure to replace plants and expenditure on new plants. The amount reported also includes the change in investment liabilities.

6.35 Acquisition of other intangible assets

Cash flow for acquisition of other intangible assets relates to investments in licences and software and the capitalisation of development costs (for a breakdown of these, see Note 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.

6.36 Acquisition of equity investments in subsidiaries

As described above, Chinese-registered company Mishang Trading (Shanghai) Co. Ltd was incorporated in the fourth quarter of 2010. It is a wholly-owned subsidiary of YOOX S.p.A. with share capital of Euro 1,000 thousand. The Shanghai office will be led by a country manager with a local team that will deal with technology, purchasing and merchandising, communication and retail marketing, content management, web design and customer care. A logistics centre has also been opened in Shanghai, equipped with digital production studios for cataloguing activities and carrying out photo shoots.

6.37 Acquisition of and proceeds from sale of other non-current financial assets

Other non-current financial assets total Euro 67 thousand at December 31, 2010 (Euro 52 thousand at December 31, 2009) and mainly relate to guarantee deposits.

Guarantee deposits at December 31, 2010 relate to the 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. Other non-current financial assets are due over more than 5 years.

6.38 Increase in share capital and share premium reserve

For information on total receipts for increases in share capital and the share premium reserve, see section 6.21 “Equity”.

6.39 Increase in 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.

6.40 Increase in and repayment of current financial liabilities

The change in current bank exposure is included in the change in current financial liabilities, since these are forms of current 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, 2010 is represented by the carrying amount of the financial assets reported in the statement of financial position, as well as by the nominal amount 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, 2010, YOOX S.p.A. has significant credit positions that are exposed to currency risk, mainly in relation to trade receivables from subsidiaries, which are partially hedged by derivative financial instruments. A hypothetical sudden and unfavourable 10% change in exchange rate levels could result in additional financial charges of around Euro 204 thousand per year.

There are no significant liabilities exposed to currency risk.

Interest rate risk

YOOX S.p.A. meets its financing requirements through:

- Current financial liabilities: these comprise the drawdown on the stand-by facility credit line amounting to Euro 5,030 thousand and the current portion of the Simest S.p.A. loan amounting to Euro 154 thousand and the finance leases amounting to Euro 416 thousand. The Company is therefore not exposed to significant risk of a change in the fair value of these liabilities. Interest rate risk could arise only if the Group is obliged to make further use of its stand-by facility at a higher rate, since the interest rate on this line of credit is linked to Euribor (Euro Interbank Offered Rate).
- Non-current financial liabilities: these consist of fixed-rate loans from Simest S.p.A. and finance leases at a non-indexed rate of interest (as reported in Note 6.23). The Company is therefore not exposed to any significant risk of a change in the fair value of these liabilities.
- Cash and cash equivalents: these consist mainly of current account deposits with leading credit institutions and current financial assets (as reported in Note 6.20). The cost of these positions depends on short-term interest rate movements. In relation to short-term or variable-rate transactions, a hypothetical sudden and unfavourable 10% change in short-term interest rate levels would result in a reduction in net financial income before taxation of around Euro 148 thousand (Euro 26 thousand at December 31, 2009) per year. This chiefly relates to cash and current financial assets.
- Other current financial assets: equal to Euro 5,082 thousand, made up of Repurchase Agreements investments with a low risk profile and short term (less than twelve months) with a fixed yield to maturity. The interest rate risk could cause lower financial income if the Group had to reinvest its cash at a market rate lower than the current rate upon maturity of these financial assets. At January 31, 2011, these financial assets have been sold and realised.

Other risks relating to derivative financial instruments

As mentioned in Note 8, YOOX S.p.A. holds certain derivative financial instruments, the value of which depends on exchange rate movements. Given the modest nominal amount of these derivative contracts, the variation in the underlying amounts is not deemed significant. More details can be found in Note 10 “Financial risk deriving from currency fluctuations” of the consolidated financial statements at December 31, 2010.

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 be classified according to a hierarchy of levels reflecting the input used in the fair value calculation. The levels are:

- Level 1 – assets or liabilities measured using quoted prices in active markets;
- Level 2 – inputs different from quoted prices as above, that are based on directly observable (prices) or indirectly observable (price-derived) market data;
- Level 3 – inputs not based on observable market data.

Financial instruments stated at fair value at December 31, 2010 exclusively comprise derivative financial contracts relating to forward sales of currencies with total fair value at December 31, 2010 of Euro -26 thousand, calculated under Level 2 criteria.

There were no transfers between levels in 2010.

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, 2010 and at December 31, 2009 were restricted to commercial, administrative and financial services relationships with subsidiaries and other related parties. These transactions form part of normal business operations, within the usual scope of activity of each of the interested parties, and are carried out under normal market conditions.

Below is a non-exhaustive list of definitions of the related parties of an entity (the “Entity”) as indicated in IAS 24:

a) Entities that directly or indirectly:

   (i) control the Entity, or
   (ii) are controlled by the Entity, or
   (iii) are subject to joint control with the Entity, or
   (iv) have significant influence over the Entity, or
   (v) have joint control over the Entity.

b) entities related to the Entity according to the definition set out in IAS 28 – Investments in Associates;

c) joint ventures in which the Entity has a shareholding;

d) managers with strategic responsibility for the Entity or its parent, including the directors and statutory auditors of the Entity;

e) the close family members of any physical persons included in points a) to d) above;

f) entities controlled or jointly controlled by one of the persons described in points d) or e) above, or that are under the significant influence of these persons; i.e. entities in which the persons described in d) and e) hold, either directly or indirectly, a significant share of the voting rights;

g) pension funds for employees of the Entity or any other entity related to it.

9.1 Transactions with subsidiaries

The main relationships between YOOX S.p.A. and its subsidiaries are chiefly commercial in nature and can be summarised as follows:

1. YOOX S.p.A. supplies its subsidiaries with products for sale on the US and Japanese Online Stores.
2. YOOX S.p.A. provides its subsidiaries with website maintenance, support services and updates.
3. YOOX S.p.A. provides its subsidiaries with administrative, financial and legal services.

4. YOOX S.p.A. provides its subsidiaries with customer service support (via a customer care service located at the Italian head office that interfaces with Japanese and US customers using dedicated staff).

5. YOOX S.p.A. provides its subsidiaries with advice and support in the areas of fashion, marketing, advertising and professional training.

None of the relationships between the Group companies or between the Group companies and related parties are considered to be atypical or unusual, and form part of the Group's ordinary business operations. The transactions were carried out under normal market (i.e. arm's-length) conditions.

The following tables show the relationships in terms of receivables and payables between the Group companies at December 31, 2010 and at December 31, 2009. Receivables from and payables to subsidiaries are expressed in USD, JPY and CNY and translated into Euro at the exchange rate in effect at year end. Revenue and costs are expressed into USD, JPY and CNY and translated into Euro at the average exchange rate for the year in question.

December 31, 2010

(Thousand Euro)

	Trade receivables	Trade payables	Revenue	Costs
YOOX Corporation	6,386	-	21,281	-
Y Services	352	-	1,243	-
YOOX Japan	1,560	-	8,793	-
YOOX Mishang Trading (Shanghai)	-	-	-	-
Total subsidiaries	**8,298**	**-**	**31,317**	**-**

December 31, 2009

(Thousand Euro)

	Trade receivables	Trade payables	Revenue	Costs
YOOX Corporation	3,763	-	10,919	-
Y Services	346	-	897	-
YOOX Japan	1,309	-	5,735	-
Total subsidiaries	**5,418**	**-**	**17,551**	**-**

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, 2010 and atf December 31, 2009, 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, 2010

Description	**Trade receivables**	**Trade payables**	**Revenues**	**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**

December 31, 2009

Description	Trade receivables	Trade payables	Revenues	Costs
Sigma Gi S.p.A.	-	398	36	2,855
Diesel S.p.A.	919	1,604	742	3,883
Diesel Rags S.r.l.	-	899	-	2,026
55DSL S.r.l. – Unipersonale	-	10	25	12
Staff International S.p.A.	-	323	-	1,608
Studio legale d'Urso Gatti e Associati	-	759	-	1,022
Hari K. Samaroo, P.C.	-	-	-	3
Total other related parties	**919**	**3,993**	**803**	**11,409**

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

- Sigma Gi S.p.A. (formerly Sigma Gi Export Import S.r.l.), since the chairman of the Board of Directors of this company and the owners of the related share capital are shareholders of the Parent;
- Diesel S.p.A., Diesel Rags S.r.l., 55DSL S.r.l. – Unipersonale and Staff International S.p.A., being companies within the Diesel Group, a director of which, through Red Circle S.r.l. Unipersonale, is a shareholder of the Parent and has the power to appoint a director to the Parent's board. The revenue and costs shown in the table as of December 31, 2009 are determined from the date at which Red Circle S.r.l Unipersonale became a shareholder of YOOX S.p.A.
- 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.

None of the transactions that took place with related parties in 2010 and 2009 were significant (except as mentioned above), atypical and/or unusual.

The table below lists the transactions with related parties, broken down into other related parties, associates and subsidiaries:

(Thousand Euro)	2010	2009
Net revenues		
Other related parties	1,323	803
Associates		
Subsidiaries	31,317	17,551
Cost of goods sold		
Other related parties	(12,820)	(10,230)
Associates		
Subsidiaries		
Sales and marketing costs		
Other related parties	(33)	
Associates		
Subsidiaries		
General expenses		
Other related parties	(334)	(1,125)
Associates		
Subsidiaries		
Other income and expenses		
Other related parties		(7)
Associates		
Subsidiaries		
Financial expenses		
Other related parties	(75)	(47)
Associates		
Subsidiaries		
Total	**19,378**	**6,945**

Statement of financial position

(Thousand Euro)	December 31, 2010	December 31, 2009
Trade receivables		
Other related parties	1,305	919
Associates		
Subsidiaries	8,298	5,418
Trade payables		
Other related parties	(3,762)	(3,993)
Associates		
Subsidiaries		
Total	**5,841**	**2,344**

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 Director of Human Resources, the Sales Director, the Marketing Director, the Director of Operations, the Chief Technology Officer, the Director of Interactive Services, the Multi-brand Sales Manager and the Head of Customer Operations.
The gross annual remuneration of the above persons, inclusive of all forms of remuneration (including gross pay, bonuses and fringe benefits) as well as bonuses accrued but not paid out that are subject to the achievement of long-term objectives are reported in the following table together with the fees of the members of the Board of Statutory Auditors:

December 31, 2010

Description	Current benefits	Long-term benefits	*Stock Option Plans and Incentive Plans*	Other remuneration
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.

December 31, 2009

Description	Current benefits	Long-term benefits	*Stock Options*	Other remuneration
Directors	585	-	156 *	-
Statutory Auditors	21	-	-	68
Key management personnel	1,922	70	745	-
Total	**2,528**	**70**	**901**	**68**

* 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 (in thousand Euro)	Dec. 31, 2010	Dec. 31, 2009
Third-party assets held by the Company	43,047	29,215
Sureties given to others	3,294	2,984
Commitments under forward hedging contracts (nominal amount)	**2,496**	**2,734**

The Company's warehouses hold goods worth Euro 43,047 thousand received on a sale-or-return basis from YOOX's trading partners. The increase by comparison with the previous year reflects the opening of new Online Stores in 2010, as well as an expansion of procurement on a sale-or-return basis during 2010 in the Multi-brand segment.

The sureties given relate to the following contracts:

- The contract entered into by the Company, with effect from October 1, 2008 for a period of six years, for the lease of office premises at Via Autari 27 in Milan. The surety of Euro 60 thousand expires on September 30, 2014.
- The contract entered into with ND Logistics Italia S.p.A. for the provision of integrated logistics services for Euro 500,000 with effect from March 14, 2007 for a period of five and a half years, expiring on October 14, 2012.

- The contract entered into with Diesel to guarantee payments by the subsidiary Y Services amounting to USD 590,000 (Euro 441,551) with effect from January 1, 2011 and expiring on December 31, 2011.
- The contract entered into with ND Logistics S.p.A. to guarantee compliance with obligations under a sublease contract for Euro 46,875 with effect from October 10, 2007 for a period of six years, expiring on June 9, 2013.
- The contract entered into by the Company with Despina S.p.A. to guarantee compliance with obligations under a rental contract with effect from April 1, 2007, for a period of six years, relating to office premises at Via Nannetti 1 in Zola Predosa. The surety of Euro 47,500 expires on March 31, 2013.
- The contract entered with SIMEST to guarantee the loan amounting to Euro 81,619 with effect from September 28, 2006 and expiring on March 16, 2014.
- The contract entered with SIMEST to guarantee the loan amounting to Euro 362,179 with effect from January 17, 2008 and expiring on March 16, 2014.
- The contract entered into by the Company with New Winds Group to guarantee compliance with obligations under a lease for office premises in Madrid, with effect from August 1, 2008. The surety of Euro 18,839 expires on September 1, 2011.
- The contract entered into 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 of Euro 50,000 expires on July 31, 2011.
- The contract entered into by the Company with Oslavia, with effect from July 1, 2008, for a period of six years, for the rental of office premises in Via Lombardini, Milan. The surety of Euro 19,200 expires on July 31, 2014.
- The contract entered into by the Company to guarantee VAT compliance in Portugal, for Euro 5,000, issued to the Portuguese tax representative and expiring on November 27, 2011.
- The contract concluded by the Company following the repayment of the Global Collect guarantee deposit of Euro 800,000, after BNP Paribas issued a bank guarantee for the same amount, due to expire 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 3,200,000 (Euro 29,452).
- The surety issued to Iolanda Labisi, with effect from May 1, 2010, for a period of four years, for the lease of guest quarters in Via Toscanini, Milan. The surety of Euro 12,000 expires on April 30, 2014.
- The contract entered into with Logistica Bentivoglio S.r.l., with effect from December 28, 2010 and due to expire on March 15, 2013, to guarantee compliance with obligations under a lease of the warehouse at logistics centre Bentivoglio, Blocco 9.5, for Euro 815,877.
- The surety issued to Arangino Giovanni to cover the cost of renovating the external wall of the building in Via Lombardini, Milan. The surety amounts to Euro 4 thousand, with effect from August 19, 2010, and expires on July 31, 2014.

The hedging contracts relate to forward sales entered into by the Parent to cover the currency risk connected to intra-Group sales in US Dollar and Japanese Yen. The nominal amount of these commitments, translated into Euro at the closing exchange rate, is Euro 2,496 thousand.

11. Events after the reporting period

New highly automated global techno-logistics platform and logistics partner

On January 1, 2011, BSL Geodis, a company in the SNCF Group, became the Group's new partner for the provision of integrated logistics services at the logistics centre at Interporto (Bologna) and for the development of the highly automated global techno-logistics platform project.

Granting of shares following the exercise of stock options
On January 17, 2011, February 28, 2011 and February 14, 2011, 104,000, 508,716 and 104,000 YOOX S.p.A. ordinary shares respectively were granted following the exercise of stock options under stock option plans, with the strike prices shown in the table below:

Stock option plans	Grant date	Strike prices (Euro)			Total options	Post-split shares total
		106.50	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
Total		**5,250**	**250**	**8,283**	**13,783**	**716,716**

In light of the above, at the time of writing the new share capital issued by YOOX S.p.A. amounts to Euro 524,802.72, divided into 52,480,272 ordinary shares with no indication of nominal amount.

Granting of stock options under the YOOX S.p.A. 2009-2014 Stock Option Plan
On February 1, 2011, the condition precedent was satisfied in relation to the granting to one beneficiary, of 963 options valid for the subscription of 50,076 YOOX ordinary shares, under the YOOX S.p.A. 2009-2014 Stock Option Plan.
Subsequently, on February 9, 2011, the Board of Directors of the Company resolved to grant to one beneficiary 1,926 options valid for the subscription of 100,152 YOOX ordinary shares under the YOOX S.p.A. 2009-2014 Stock Option Plan.

Activation of the Jil Sander Navy line on jilsander.com
On January 13, 2011, the jilsander.com Online Store was extended to include the Jil Sander Navy line

Contract to extend and activate the Just Cavalli line at robertocavalli.com
YOOX S.p.A. signed an agreement with ITTIERRE S.p.A. to extend the robertocavalli.com Online Store to include the Just Cavalli line, which was launched on February 8, 2011.

Contract for extension and Japanese launch of diesel.com
A contract was signed to extend the diesel.com Online Store to Japan, which was activated on February 21, 2011.

The Vogue Talents Corner
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 showcase event featuring fourteen young designers, chosen by Vogue Italia, Vogue US, Vogue China, Vogue Paris and Vogue UK was created.
The 2011 Spring/Summer clothing and accessories collection, designed by talented young people, can be purchased at thecorner.com in an area dedicated to the project.

Online Store contract for brunellocucinelli.com
YOOX S.p.A. signed a contract with Brunello Cucinelli S.p.A. on January 19, 2011 in relation to the Online Store for the Brunello Cucinelli brand, which will be launched in the first quarter of 2011 in Europe, the US and Japan.

Extension of marni.com to China
The marni.com Online Store was extended to the Chinese market on March 1, 2011.

Annex 1

Separate income statement for 2010, prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

	2010			2009		
Income statement	**Balances**	**of which with related parties**	**% Weighting**	**Balances**	**of which with related parties**	**% Weighting**
Thousand Euro:						
Net revenues	183,377	1,323	0.7%	131,640	18,354	13.9%
Cost of goods sold	(123,055)	(12,820)	10.4%	(85,156)	(10,230)	12.0%
Fulfilment costs	(18,764)	(519)	2.8%	(13,789)	(676)	4.9%
Sales and marketing costs	(15,831)	(1,303)	8.2%	(11,274)	(733)	6.5%
General expenses	(15,322)	(3,814)	24.9%	(10,136)	(3,283)	32.4%
Other income and expenses	(383)			(795)	(7)	0.9%
Non-recurring expenses	-			(3,950)		
Operating profit	10,022			6,540		
Financial income	866			515		
Financial expenses	(949)	(75)	7.9%	(1,756)	(47)	2.7%
Profit before tax	9.939			5,299		
Taxes	(3,880)			(2,546)		
Profit for the year	6,059			2,753		

Annex 2

Statement of financial position at December 31, 2010, 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, 2010			December 31, 2009		
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	8,229			3,448		
Intangible assets with finite useful life	7,127			3,420		
Investments in subsidiaries	1,547			447		
Deferred tax assets	3,044			2,957		
Other non-current financial assets	67			52		
Total non-current assets	**20,014**			**10,324**		
Current assets						
Inventories	64,778			43,089		
Trade receivables	15,951	9,603	60.2%	10,971	6,337	57.8%
Other current assets	5,363			1,998		
Cash and cash equivalents	16,595			30,340		
Current financial assets	5,082					
Total current assets	**107,769**			**86,398**		
Total assets	**127,783**			**96,722**		
Equity						
Share capital	518			504		
Reserves	64,113			58,965		
Losses carried forward	(6,829)			(9,582)		
Profit for the year	6,059			2,753		
Total equity	**63,861**			**52,640**		

Statement of financial position	December 31, 2010 Balances	of which with related parties	% Weighting	December 31, 2009 Balances	of which with related parties	% Weighting
Non-current liabilities						
Medium-long term financial liabilities	846			693		
Employee benefits	213			219		
Provisions for risks and charges	112			306		
Deferred tax liabilities	69			43		
Total non-current liabilities	**1,240**			**1,261**		
Bank loans and other current financial liabilities	5,600			313		
Provisions for risks and charges	534			366		
Trade payables	42,964	3,762	8.8%	24,700	3,993	16.2%
Tax liabilities	341			3,356		
Other liabilities	13,243			14,086		
Total current liabilities	**62,682**			**42,821**		
Total equity and liabilities	**127,783**			**96,722**		

Annex 3

Statement of cash flows for 2010, 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	2010 Balances	2010 of which with related parties	2010 % Weighting	2009 Balances	2009 of which with related parties	2009 % Weighting
Profit for the year	6,059			2,753		
Adjustments for:						
Taxes for the year	3,880			2,546		
Financial expenses	949			1,756		
Financial income	(866)			(515)		
Depreciation, amortisation and impairment losses	3,701			2,155		
Fair value measurement of stock options	3,642			1,651		
(Gains)/losses on sale of non-current assets	-			6		
Employee benefits	33			18		
Provisions for risks and charges	257			400		
Payment of employee benefits	(39)			(73)		
Use of provisions for risks and charges	(284)			(196)		
Changes in inventories	(21,689)			(8,707)		
Changes in trade receivables	(4,980)	(3,266)	65.6%	(2,660)	(1,563)	58.8%
Changes in trade payables	17,929	(231)	1.3%	9,669	3,303	34.2%
Changes in other current assets and liabilities	(4,206)			10,167		
Cash flow from (used in) operating activities	4,386			18,970		
Income tax paid	(6,956)			(1,270)		
Interest and other financial expenses paid	(949)			(1,756)		
Interest and other financial income received	866			515		
NET CASH FROM (USED IN) OPERATING ACTIVITIES	(2,653)			16,459		

Statement of cash flows	2010 Balances	2010 of which with related parties	2010 % Weighting	2009 Balances	2009 of which with related parties	2009 % Weighting
Acquisition of property, plant and equipment	(5,225)			(707)		
Acquisition of intangible assets	(6,063)			(2,184)		
Acquisition of equity investments in subsidiaries	(1,000)			-		
Acquisition of other non-current financial assets	(16)			-		
Proceeds from sale of other non-current financial assets	-			311		
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(12,304)			(2,580)		
Financing activities						
Increase in current liabilities	5,028			-		
Repayment of current liabilities	-			(3,930)		
Increase in medium-long term financial liabilities	-			-		
Repayment of medium-long term financial liabilities	(155)			(18,348)		
Purchase of treasury shares	(362)			-		
Capital injection for share capital increase and share premium reserve	1,795			31,980		
Investments in other financial assets	(5,082)					
Variation through difference between cash effect and action of incentive plans	(12)			-		
Changes in the hedging reserve	-			(13)		
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,212			9,689		
TOTAL CASH FLOW FOR THE YEAR	(13,745)			23,568		
Cash and cash equivalents at the beginning of the year	30,340			6,772		
Cash and cash equivalents at the end of the year	16,595			30,340		
TOTAL CASH FLOW FOR THE YEAR	(13,745)			23,568		

Annex 4

Investments of members of management and control bodies, general managers and key management personnel at December 31, 2010

Name and surname	Company	Method of ownership 1	No. of shares held at Dec. 31, 2009	No. of shares purchased2	No. of shares sold	No. of shares held at Dec. 31, 2010
Federico Marchetti	YOOX S.p.A.	Direct	2,411,853	-	-	2,411,853
Fausto Boni[(3)]	YOOX S.p.A.	Direct	57,616	-	57,616	0
Stefano Valerio	YOOX S.p.A.	Direct	-	104,000	-	104,000
Raffaello Napoleone	YOOX S.p.A.	Direct	-	14,555	-	14,555
Alberto Grignolo	YOOX S.p.A.	Direct	25,360	-	-	25,360
Marco Di Pietro	YOOX S.p.A.	Direct	6,000	-	6,000	-
Massimiliano Benedetti	YOOX S.p.A.	Direct	2,000	-	2,000	-
Gabriele Tazzari	YOOX S.p.A.	Direct	1,000	-	-	1,000
Giuseppe Guillot	YOOX S.p.A.	Direct	200	-	-	200

(1) Including investments held through spouses that have not legally separated and minor children.
(2) Including through the exercise of stock options.
(3) Resigned as a Director of the Company on July 1, 2010.

Annex 5

Remuneration paid to members of management and control bodies, general managers and key management personnel at December 31, 2010

Name and surname	Position held	Period over which position was held	Termination of position	Remuneration for position at the Company preparing financial statements (Euro)	Non-monetary benefits (Euro)	Bonuses and other incentives (Euro)	Other remuneration (Euro)
Federico Marchetti	Chairman of the Board of Directors and Chief Executive Officer	Jan. 1, 2010 - Dec. 31, 2010	2012	450,000	-	450,000	-
Fausto Boni[1]	Director	Jan. 1, 2010 - Jun. 6, 2010	2012	10,000	-	-	-
Mark Evans	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	-	-	-	-
Massimo Giaconia	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	20,800	-	-	-
Raffaello Napoleone [2]	Director	Jul. 1, 2010 - Dec. 31, 2010	2012	10,000	-	-	-
Massimiliano Benedetti	Director (YOOX Corporation)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	-	-	-	-
Holly Brubach	Director (YOOX Corporation)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	5,657			
Giuliano Iannacone [4]	Director (YOOX Corporation)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	18,858	-	-	-
Hari Samaroo [5]	Director (Y Services)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	12,092	-	-	-
Elserino Mario Piol	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	20,000	-	-	-
Stefano Valerio[6]	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	20,800	-	-	-
Catherine Gérardin	Director	Jan. 1, 2010 - Dec. 31, 2010	2012	20,000	-	-	-
Jun Nagamine [3]	Director (YOOX Japan)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	5,807	-	-	-
Koji Ono [3]	Director (YOOX Japan)	Jan. 1, 2010 - Dec. 31, 2010	Until revoked	-	-	-	-
Filippo Tonolo	Chairman of Board of Statutory Auditors	Jan. 1, 2010 - Dec. 31, 2010	2012	31,200	-	-	-
David Reali	Standing Auditor	Jan. 1, 2010 - Dec. 31, 2010	2012	21,216	-	-	-
Luca Sifo	Standing Auditor	Jan. 1, 2010 - Dec. 31, 2010	2012	20,800	-	-	-
Nicola Bottecchia	Alternate Auditor	Jan. 1, 2010 - Dec. 31, 2010	2012	-	-	-	-
Edmondo Maria Granata	Alternate Auditor	Jan. 1, 2010 - Dec. 31, 2010	2012	-	-	-	-
Key management personnel		Jan. 1, 2010 - Dec. 31, 2010	-	1,481,325.99	-	82,408.11	-

(1) Fausto Boni resigned as a Director of the Company on July 1, 2010.
(2) Raffaello Napoleone was appointed with the approval of the Board of Directors on July 1, 2010 following the resignation of Fausto Boni.
(3) Remuneration paid by YOOX Japan.
(4) Remuneration paid by YOOX Corporation.
(5) Remuneration paid by Y Services.
(6) For further remuneration, see the table on transactions with related parties in the consolidated and separate financial statements.

Annex 6

Stock options granted to members of management and control bodies and key management personnel at December 31, 2010

		Options held at the beginning of the year			Options granted during the year			Options exercised during the year			Options expiring during the year	Options held at the end of the year		
Name and surname	Position held	No. of options	Average exercise price	Average maturity	No. of options	Average exercise price	Average Maturity	No. of options	Average exercise price	Average market price when exercised	No. of options	No. of options	Average exercise price	Average Maturity
Federico Marchetti	Chairman of the Board of Directors and Chief Executive Officer	61,126	1,0843	Apr 24, 2019	28,848	5,3400	Dec 31, 2014	-	-	-	-	89,974	2,4488	Apr 18, 2016
Holly Brubach	Director YOOX Corporation	1,000	2,0481	Jan 31, 2015	-	-	-	-	-	-	-	1,000	2,0481	Jan 31, 2015
Moritz Hau	Deputy Chairman YOOX Corporation	1,340	1,7085	Jun 2, 2018	963	5,8700	Dec 31, 2014	-	-	-	-	2,303	3,4486	Nov 23, 2015
Ono Koji	Director YOOX Japan	1,000	2,0481	Jan 31, 2015	-	-	-	-	-	-	-	1,000	2,0481	Jan 31, 2015
Key management personnel		67,743	1,1291	Mar 18, 2019	23,091	5,4946	Dec 31, 2014	2,348	1,1379	6,5944	3,849	84,637	2,1304	Sept 28, 2016
Other Beneficiaries		51,607	1,3883	Oct 31, 2017	9,948 (1)	5,9342	Dec 31, 2014	24,735	1,3000	6,5944	1,763	35,057	2,7024	Dec 16, 2015

(1) Including 963 options corresponding to 50,076 shares granted to a beneficiary and for which the related suspension for the granting was verified on February 1, 2011.

Annex 7

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 Art. 149-*duodecies* of Issuer Regulation no. 11971 of May 13, 1999 and subsequent amendments.

Type of service	Party providing the service	Recipient	Fee (thousand Euro)
Auditing	KPMG SpA.	Parent	169
Other services	KPMG SpA.	Parent	2
Other services	KPMG network	Parent	58
Total			**229**

Annex 8

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	518	B		
Capital injection for future share capital increase	935	A,B		
Equity-related reserves:				
Share premium reserve (1)	55,390	A,B,C	55,390	54,259
Revaluation reserve	(362)			
Grants related to assets	-			
Reserve for negative goodwill	-			
Income-related earnings:				
Legal reserve	193	B	193	
Statutory reserves	-			
Stock option reserves	7,957	A,B	7,957	
Hedging reserves	-			
Retained earnings	(6,829)			
Total share capital and reserves	**57,802**			
Profit for the year	6,059			
Total equity	**63,861**			

Key:

A: For share capital increase.

B: For coverage of losses.

C: Dividends.

NB:
(1) Pursuant to art. 2431 of the Italian Civil Code, this reserve can only be distributed if the legal reserve has reached the limit specified in art. 2430 of the Italian Civil Code.
The distribution possibilities for the share premium 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 nominal amount of the latter, which is already tied in under the actual terms under which the share capital is bound (Euro 362 thousand net of Euro 620 of share capital figuratively repurchased).

STATEMENT ABOUT THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 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 2010.

They further certify that:
the separate financial statements:

- were prepared in accordance with International Financial Reporting Standards endorsed by the European Union pursuant to EC Parliament and Council Regulation No. 1606/2002 of July 19, 2002;
- correspond to entries made in accounting ledgers and records;
- are suitable for providing a true and fair view of the financial position and results of operations of the issuer;

the Directors' report contains a reliable analysis of operating performance and results and of the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

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

REPORT OF THE AUDITORS

KPMG S.p.A.
Revisione e organizzazione contabile
Via Andrea Costa, 160
40134 BOLOGNA BO

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 2010, comprising the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 12 March 2010 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 2010 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 2010, the results of its operations and its cash flows for the year then ended.

4 The directors of YOOX S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and shareholding structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure with

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

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

Società per azioni
Capitale sociale
Euro 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 separate financial statements of YOOX S.p.A. as at and for the year ended 31 December 2010.

Bologna, 16 March 2011

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

BOARD OF STATUTORY AUDITORS' REPORT

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 524,802.72, fully paid up

http://www.yooxgroup.com

Report of the Board of Statutory Auditors to the Shareholders' Meeting
Annual Financial Statements to December 31, 2010 – Consolidated Financial Statements to December 31, 2010
(*pursuant to article 153 of Legislative Decree 58/1998 and article 2429 of the Italian Civil Code*)

*** ** ***
***

To the shareholders of YOOX S.p.A. (the "Company")

Dear shareholders,

Throughout the financial year ended 31 December 2010 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 Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili (National Councils 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 CONSOB communications.

The legally-required task of auditing the financial statements was assigned to external auditors KPMG S.p.A.; 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 that the criteria and procedures adopted by the Board of Directors to assess the independence of these directors were correctly implemented, including

1

during the annual verification of the Company's fulfilment of the requirements for listing on the STAR segment of Borsa Italiana.

During the year, 11 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.

We monitored the 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 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.

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 12 times during 2010 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 regard to the new legislative and regulatory provisions issued by the CONSOB on transactions with related parties, in relation to the obligations of continuous and periodic disclosure to the market and the procedural principles that companies must adopt to ensure the necessary probity in carrying out transactions with related parties, we can state that the Internal Control Committee expressed a favourable opinion on the procedure which, as of January 1, 2011, will govern the identification, approval and management of transactions carried out by the Company with related parties.

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 report on transactions with a significant effect on the Company's income statement, balance sheet and financial position for the year in the Report on Operations.

Within our mandate, we gathered data and information from the heads of each company department 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.

With regard to the independence criteria set out in the Code of Conduct for each member of the Board of Statutory Auditors, we can certify that none of the members holds or has recently held, directly or indirectly, any relationship with the Company or individuals connected to the Company that could influence the impartiality of his/her judgment.

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 (based on legislative amendments and internal considerations), 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 also looked at whether company organization and procedures are appropriate 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 obtained and examined information on organizational and procedural activities established pursuant to Legislative Decree 231/01 relating to the administrative responsibility of bodies for offences set out in this legislation and subsequent additions and amendments. The Supervisory Body reported on activity that took place in 2010. No censurable circumstances or specific violation of the model were reported, and the Board of Directors was asked to focus on the opportunity to make certain updates, and the need to implement the model and bring it into line with the most recent legislation in this area.

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 financial statements and the consolidated financial statements are accompanied by the aforementioned statements of compliance. 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, 2010, submitted for your approval, closed with a profit of Euro 6.059 million, while the consolidated financial statements show profit attributable to the Group of Euro 9.117 million.

KPMG S.p.A. issued reports on March 16, 2011 on the annual financial statements and the consolidated financial statements on March 16 this year. 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, 2010, owing to the amendment to and extension of the Company's appointment as external auditor pursuant to our opinion issued on March 11, 2010. Regarding notification of considerations for the provision of various 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, 2010, in accordance with article 149 – *duodecies* of the Issuer Regulation.
We verified the independence of the external auditors, including in respect of criterion 10.C.5 of the Code of Conduct drawn up by the Corporate Governance Committee for Listed Companies, with which the Company complies.

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.

***

Our regular supervisory activities were carried out throughout the financial year ended December 31, 2010. No omissions, censurable circumstances or irregularities emerged that need to be mentioned in this report.

Throughout the year we issued the opinions required of the Board of Statutory Auditors 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).

***

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 16, 2011

The Board of Statutory Auditors

Filippo Tonolo

(signed on the original)

Luca Sifo

(signed on the original)

David Reali

(signed on the original)

5

This document is printed on a fully recycled paper certified FSC Mixed Sources

Printed by: Servif Donnelley Financial – Milan