

YOOX NET-A-PORTER GROUP

Annual Report 2017

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

VIA MORIMONDO 17 | 20143 MILAN

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

SHARE CAPITAL EURO 1,347,794.33

YOOX
NET-A-PORTER
GROUP

ANNUAL REPORT AS AT 31 DECEMBER 2017

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YOOX NET-A-PORTER GROUP

Chairman's Letter to the Shareholders



"The Board is immensely proud of the results achieved by YOOX NET-A-PORTER GROUP in 2017"

Dear Shareholders

Welcome to this third Annual Report of the YOOX NET-A-PORTER GROUP (YNAP). The performance of the Group in 2017 reflects our long-term business ambition as the world's leading online luxury retailer.

Following the merger of YOOX GROUP with THE NET-A-PORTER GROUP in October 2015, we adopted an ambitious strategic plan with clear targets for revenue growth and improvement in profitability over a five-year horizon. To achieve these the Group is focused on harnessing the power of mobile and smart data, leveraging technological innovation and capturing new millennial customers.

The Board is proud that the results achieved in 2017 demonstrate that we are on track and delivering against the plan. YNAP has generated record net revenues exceeding 2 billion euros in 2017 driven by 17% organic growth over the year with solid performances across all key geographic markets and business lines. Adjusted EBITDA increased to 169.2 million euros and adjusted net income was 51.2 million euros.

In 2017 YNAP welcomed 842 million visits and active customers reached 3.1 million generating 9.5 million orders. Our leadership position in all of the businesses in which we operate was clearly demonstrated.

All business lines saw significant developments during the year.

The In-Season division performed remarkably well with brand additions and content and service enrichment strengthening its position. The successful launch of the hard luxury category and of our own-label for men is reinforcing the undisputed leadership of this division.

The Off-Season division made significant progress with an enlarged offering and highly successful marketing campaigns. The performance also benefited from the strong start of trading of the Group's joint venture in the Middle East.

The Online Flagship Stores portfolio was boosted by the success of its partners and the development of new partnerships. 2017 saw the business enhance its relationships with leading luxury houses. In particular, YNAP unveiled its new omni-channel business model, NEXT ERA, a blueprint for the future of online distribution.

In 2017, for the first time, sales from mobile exceeded 50% of the Group's sales, reaffirming YOOX NET-A-PORTER GROUP's focus on mobile as a key growth driver.

The Outlook for 2018 is positive and the Group remains confident in the ambitious targets of its 2020 Plan. People are key to YNAP's future success and the Group will continue to invest in the development of its employees, and promote an inclusive, diverse, innovative and collaborative culture, and create work environments that encourage and foster these values.

YNAP believes it has a responsibility, and an opportunity, to create a more sustainable future. Following the publication of its 2016 Sustainability Report in April 2017, the Group has adopted a vision, recognizing that it must work as a catalyst, sharing knowledge and innovating. The Consolidated Non-Financial Disclosure included in the Directors' Report highlights the progress of our sustainability performance during 2017. With a focus on digital education, inclusion and the reduction of our footprint, we are

starting 2018 with a clear roadmap to lead by example with the aim of turning our vision into a reality.

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

Raffaello Napoleone

Independent Chairman

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

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

YOOX NET-A-PORTER GROUP

Issuer: YOOX NET-A-PORTER GROUP S.P.A. – Via Morimondo 17 – 20143 Milano
Website: www.ynap.com

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Glossary

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

Civil Code: the Italian Civil Code.

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

Reference year: the tax year to which the Report refers.

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

Group: the group to which the company belongs.

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

MTA: the Mercato Telematico Azionario, the Italian screen-based trading system organised and managed by Borsa Italiana S.p.A.

Stock Exchange Regulation: the regulation of markets organised and managed by Borsa Italiana S.p.A. in effect at the date of this Report.

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

Consob Markets Regulation: the Regulation issued by Consob with Resolution 20249 of 2017 concerning markets.

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

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

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

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

Management and control bodies

BOARD OF DIRECTORS

CHIEF EXECUTIVE OFFICER	FEDERICO MARCHETTI ¹
CHAIRMAN	RAFFAELLO NAPOLEONE ^{2 3}
DIRECTORS	STEFANO VALERIO ROBERT KUNZE-CONCEWITZ ^{3 5 6} CATHERINE GÉRARDIN VAUTRIN ^{2 3 5} LAURA ZONI ⁴ ALESSANDRO FOTI ^{2 4 5} RICHARD LEPEU ⁴ CEDRIC BOSSERT ⁷ EVA CHEN VITTORIO RADICE

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITOR

	KPMG S.p.A.
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SUPERVISORY BODY

	ROSSELLA SCIOLTI – Chairwoman MATTEO JAMES MORONI ISABELLA PEDRONI
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DIRECTOR RESPONSIBLE FOR PREPARING THE FINANCIAL STATEMENTS

	ENRICO CAVATORTA
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HEAD OF INTERNAL AUDIT

	MATTEO JAMES MORONI
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¹ Executive Director in charge of the internal control and risk management system.

² Member of the Control and Risk Committee.

³ Member of the Compensation Committee.

⁴ Member of the Directors' Appointments Committee.

⁵ Member of the Related-Party Transactions Committee

⁶ Lead Independent Director.

⁷ Appointed by the Shareholders' Meeting of 21 April 2017 after the resignations of Board Member Gary Saage.

YOOX NET-A-PORTER GROUP

1. ISSUER PROFILE

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

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

YOOX NET-A-PORTER GROUP holds a unique position in the high-growth online luxury segment with more than 3 million active customers, more than 840 million visits worldwide and consolidated Net Revenues of EUR 2.1 billion in 2017. The Group has offices and operations in the United States, Europe, Middle East, Japan, China and Hong Kong and delivers to more than 180 countries worldwide.

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

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

On 22 January 2018 Compagnie Financière Richemont SA ("**Richemont**" or "**CFR**") announced pursuant to art. 102, paragraph 1, of the TUF its intention to launch – through RLG Italia Holding S.p.A., a company indirectly fully owned by Richemont (the "**Offeror**") – a voluntary tender on 100% of the ordinary shares of YNAP, that will be issued and outstanding, other than those owned by Richemont and the relating holding companies, subsidiaries or companies subject to common control (the "**Offer**") on the terms and conditions set, or referred to, in the announcement published by Richemont (the "**102 Announcement**").

On 12 February 2018 the Offeror launched the Offer pursuant to article 102, paragraph 3, TUF filing the offering document with Consob which, on 20 February, then notified the suspension of the review period until 7 March 2018. The rationale of the suspension was to allow Richemont to supplement the offer document with the main YNAP financial data as at 31 December 2017. As at the date of this Report, YNAP Board of Directors has not yet convened to express its assessment of the offer. Any assessment of the offer will be disclosed in the press release to be issued by the Company pursuant to article 103, paragraph 3, of TUF and of Article 39 of Consob Regulation n. 11971/1999.

For further information on the offer, please refer to the relevant press releases and documents available on the Company's website at www.ynap.com (under the section Investor Relations / Public Tender Offer on YNAP shares) as well as on Richemont's website at www.richemont.com (under the section Investors / YOOX NET-A-PORTER GROUP tender offer).

For more information on the Offer reference is made to the documents retrievable on the Issuer's website www.ynap.com (Section Investor Relations / Public Tender Offer on YNAP shares).

For information on the shareholders' agreements reference is made to paragraph 2, lett. g), of the Report.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ARTICLE 123-BIS OF THE TUF) AS AT 31/12/2017

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

As at 31 December 2017, the subscribed and paid-up share capital was Euro 1,339,762.93 represented by 133,976,293 shares divided into no. 91,163,148 ordinary shares and 42,813,145 shares with no voting rights (B Shares), all without indication of nominal value.

As at the date of the present Report, the subscribed and paid-up share capital was EUR 1,347,794.33 represented by 134,779,433 shares, divided into no. 91.966.288 ordinary shares and 42.813.145 shares with no voting rights (B Shares), all without indication of nominal value.

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

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED/UNLISTED	RIGHTS AND OBLIGATIONS
ORDINARY SHARES	91,966,288	68.23	MTA/FTSE MIB	A VOTING RIGHT IS ATTACHED TO EVERY SHARE. THE RIGHTS AND OBLIGATIONS OF HOLDERS OF ORDINARY SHARES ARE SET OUT IN ARTICLE 2346 ET SEQ. OF THE CIVIL CODE. SEE SECTION 16 OF THIS REPORT FOR MORE INFORMATION.
B SHARES	42,813,145	31.77	UNLISTED	SHARES WITHOUT VOTING RIGHTS. THE RIGHTS AND OBLIGATIONS OF HOLDERS OF B SHARES ARE SET OUT IN THE APPLICABLE ARTICLES OF ASSOCIATION.

On 11 September 2017, following the exercise by Richemont Holdings (UK) Limited ("RH") of the statutory right provided for by art. 5, paragraph 5 of the Issuer's articles of association to convert B shares into ordinary shares in order to re-establish its shareholding to 25% of the voting share capital, no. 92,993 YNAP S.p.A. ordinary shares have been issued and allotted. After the conversion, RH interest is equal to no. 22,786,452 ordinary shares and no. 42,813,145 B Shares.

Since 2000, the Issuer has implemented share-based incentive plans, with a view to giving the Group an incentive tool to promote loyalty among directors, managers and employees. The stock option plans represent, for parties with strategic roles that are key to the success of the Company and the Group, an ongoing incentive to maintain adequate management standards, improve Group performance by meeting set targets, increase Group competitiveness and create value for shareholders. For more information on incentive plans as at 31 December 2017, see the Information Documents prepared pursuant to Article 84-bis of the Issuers' Regulation and held at the Company registered office, and also available according to legal terms on the Company website at www.ynap.com (section on Governance) and the remuneration report prepared pursuant to Article 123-ter of the TUF and Article 84-quater of the Issuers' Regulation, available under the law on the Company website at www.ynap.com (section on Governance).

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

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

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

C) MAJOR SHAREHOLDINGS (ARTICLE 123-BIS, PARAGRAPH 1, LETTER C), OF THE TUF)

As at the date of this Report, shareholders that directly or indirectly own shareholdings of more than 3% of the share capital, through pyramid structures or cross shareholdings, as detailed in communications made pursuant to Article 120 of the TUF, are reported in the table below:

DECLARING PARTY	DIRECT SHAREHOLDER	% SHARE OF ORDINARY VOTING SHARE CAPITAL**	% SHARE OF THE TOTAL SHARE CAPITAL (ORDINARY VOTING + B SHARES)**
COMPAGNIE FINANCIÈRE RUPERT	RICHEMONT HOLDING (UK) LIMITED*	24.777	48.672
RENZO ROSSO	RED CIRCLE INVESTMENTS S.R.L.	3.522	2.403
	RED CIRCLE S.R.L. UNIPERSONALE	1.744	1.190
	RENZO ROSSO	0.373	0.255
		5.639	3.848
FEDERICO MARCHETTI	FEDERICO MARCHETTI	4.633	3.161
	MAVIS S.R.L.	0.983	0.671
		5.616	3.832
MOHAMED ALI RASHED ALABBAR	ALABBAR ENTERPRISES S.À R.L.	3.883	2.650
SCHRODERS PLC	SCHRODERS PLC	3.815	2.603
T.ROWE PRICE ASSOCIATES, INC	T.ROWE PRICE ASSOCIATES, INC	3.810	2.600
CAPITAL RESEARCH AND MANAGEMENT COMPANY	CAPITAL RESEARCH AND MANAGEMENT COMPANY	3.057	2.086

(*) RH holds all the no. 42,813,145 B shares issued by YNAP.

(**) The percentages mentioned in the above table refer to the ordinary share capital including YNAP's own shares (see paragraph i) of this Report)

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

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

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

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

There is no employee shareholding plan in place.

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

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

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

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

Concerning the existence of relevant shareholders' provisions as defined in Article 122 of the TUF, the Issuer is familiar with the following agreements in force at the date of the present Report relating to the Issuer's shares.

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

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

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

On 20 January 2018 YNAP received from Richemont an offer containing an irrevocable undertaking by Richemont ("**CFR Irrevocable Undertaking**") to announce - by 22 January 2018, 9.00 am, its decision to launch the Offer by publishing (and filing with Consob) the 102 Communication, subject to, among other things: (i) YNAP waiver of a *standstill* provision undertaken by CFR (and his affiliates) pursuant to art. 5.1 of the shareholders' agreement (the "**Shareholders' Agreement**") entered into on 31 March 2015 between YNAP, Richemont and Richemont Holdings (UK) Limited ("**RH**"), and the termination of the Shareholder's Agreement itself; and (ii) the irrevocable undertaking by Federico Marchetti to adhere to the Offer (the "**Adhesion Undertaking**").

As a consequence of CFR Irrevocable Undertaking – and subject to the release – and filing with Consob - of the 102 Announcement by 22 January 2018, 9.00 am, on 21 January 2018:

- A. YNAP, CFR and RH executed an amendment agreement to the Shareholders' Agreement (the "**Amendment Agreement**") pursuant to which:
- (i) YNAP agreed pursuant to and to the effects of art. 5.1 (*standstill*) of the Shareholders' Agreement to the announcement and launching of the Offer, as well as to the purchase of YNAP shares in the context thereof, under the terms and conditions set out therein, upon fulfilment of every related formality. In this respect please note that on the same date YNAP's Board of Directors, in the interest of all Company's shareholders, resolved – always subject to the publication (and filing with Consob) of the 102 Communication on the above terms – the waiver of the Shareholders' Agreement *standstill* provision, accordingly granting the Company's consent to the purchase, by Richemont (and its affiliates) of YNAP shares and other securities in the context of the Offer, provided that every evaluation of YNAP's Board of Directors concerning the Offer will be set out in the communication which will be disseminated by the Company pursuant to art. 103, paragraph 3, TUF and art. 39 of the Issuers Regulation; and

(ii) YNAP, CFR and RH agreed to terminate the Shareholders' Agreement, by mutual consent – with consequent termination of any validity and effect thereof – with effect from, and subject to, the declaration of the occurrence, or of the waiver of, all the conditions set out by the Offer and according to the terms set out therein.

- B. FM gave the Adhesion Undertaking, in the context of which Richemont and FM agreed to terminate the Lock-Up Agreement by mutual consent – with consequent termination of any validity and effect thereof – with effect from, and subject to the release - and filing with Consob - of the 102 Announcement.

Notwithstanding the above, Richemont and FM further agreed that, subject to the following conditions, the Lock-Up Agreement will remain valid, fully in force and binding on the parties as if its termination had never occurred: (i) Richemont does not release – and file with Consob – the 102 Announcement in accordance by 09.00 a.m. on 22 January 2011; (ii) the Offer is withdrawn or lapses in accordance with its terms.

- C. FM gave the Adhesion Undertaking to Richemont. In particular, FM irrevocably undertook to tender, or procure the tendering of, all the no. 5,164,667 YNAP ordinary shares owned, directly or indirectly by FM, (equal to 5.616% of the Company's share capital as at this Report date) by the fifth business day of the Offer acceptance period. The Adhesion Undertaking further comprises any YNAP ordinary share acquired by FM (including for these purposes shares which FM may come to own as a result of the exercise of options under any YNAP's share option schemes) prior to the Offer settlement or to the Offer is withdrawn or lapses.

According to the Adhesion Undertaking, FM further granted the Offeror with a call option over any shares acquired by FM (including for these purposes any shares which FM may come to own as a result of the exercise of options under any YNAP's share option schemes) after the Offer settlement in consideration for the granting of a put option over the same shares granted to FM by the Offeror, both at the same price offered to the shareholders in the context of the Offer.

Any obligation assumed under the Irrevocable Undertaking is without prejudice to FM right (a) to revoke the tendering of the Shares under Article 44, paragraph 7, of the Issuers Regulation and (b) to withdraw from the obligation to tender the Shares under Article 123, paragraph 3, of TUF. In each of such cases, each and all the obligations assumed under the Adhesion Undertaking will terminate and be of no further force and effect and FM be released of all obligations under the aforementioned undertaking.

On 22 January 2018 Richemont published (and filed with Consob) the 102 Communication (by 9.00am) and to the effect: (i) the Amendment Agreement and the Adhesion Undertaking became effective; and (ii) the Lock-Up Agreement was terminated as per the above.

For more information on the Shareholders' Agreement and the Amendment Agreement, as well as the Lock-up Agreement and the Adhesion Agreement reference is made to the essential information drafted and published pursuant to art.122 TUF and art. 130 of the Issuers Regulation and available on the Issuer's website www.ynap.com (Section Governance).

On 18 April 2016, the Company and Alabbar Enterprises S.à r.l. ("**Alabbar Enterprises**") entered into a subscription agreement (the "**Subscription Agreement**") for the purpose of governing Alabbar Enterprises commitment to invest in the Company share capital, by subscribing and paying-up for newly issued ordinary shares in the context of the Company's capital increase, executed on 22 April 2016, and reserved in subscription for Alabbar Enterprises as well as to establish further lock-up provisions relevant under art. 122 of the TUF relating thereto. The Lock-up undertakings have been given for a period of 18 (eighteen) months and accordingly expired on 22 October 2017.

The termination notice of said lock-up undertakings is available on the Company website www.ynap.com (Section Governance).

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

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

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

For more information on the change of control clauses in the framework of the stock option plan outstanding at 31 December 2017, see the Informative Documents prepared pursuant to Article. 84-bis of the Issuers' Regulation, available at the Company's registered office and on the Company's website www.ynap.com (Governance section.)

The companies controlled by the Issuer have not signed significant binding agreements. They take effect, are amended or expire following a change in the control of the contracting company. The Extraordinary General Meeting of 5 May 2011 resolved to make use of the right under Article 104, paragraph 1-ter of the TUF, introducing an express exemption to the passivity rule into the articles of association, in paragraphs 5 and 6 of Article 6. Specifically, Article 6 of the articles of association stipulate that: (i) as an exemption to the provisions in Article 104, paragraph 1, of the TUF, if Company shares are subject to a takeover bid and/or share swap offer, authorisation from the shareholders is not required to complete the deeds or transactions which could hinder achievement of the objectives of the offer, during the period between the communication in Article 102, paragraph 1, of the TUF and the closure or expiry of the offer; and (ii) as an exemption to the provisions of Article 104, paragraph 1-bis, of the TUF, authorisation from the shareholders is also not needed for the implementation of any decision taken before the start of the period between the communication in Article 102, paragraph 1, of the TUF and the closure or expiry of the offer, which has not yet been fully or partly implemented, that does not come under the course of normal activities for the Company and whose implementation could hinder the achievement of the objectives of the offer.

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

The articles of association do not involve the application of the neutralisation rules set out in Article 104-bis, paragraphs 2 and 3, of the TUF.

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

In the context of the Merger and in line with the Merger Plan, the Extraordinary Shareholders' Meeting of 21 July 2015 resolved, *inter alia*, to grant the Board of Directors with a delegation, pursuant to article 2443 of the Italian Civil Code (the "Delegation"), to be exercised within three years from the effective date of the merger, to increase the share capital, on one or more occasions, for cash consideration and in one or more tranches, for a maximum amount of EUR 200,000,000.00 (inclusive of share premium, if any), by an aggregate maximum number of shares not exceeding 10% of the share capital of the post-merger, by offering the newly issued shares:

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

- (ii) to qualified investors pursuant to art. 34-ter, paragraph 1, lett. b) of Consob Regulation no. 11971/1999, as subsequently amended and supplemented (the "Consob Regulation"), with exclusion of option rights pursuant to article 2441, paragraph 4, second indent, or article 2441, paragraph 5, of the Italian Civil Code; or
- (iii) to strategic and/or industrial partners of the Issuer, with exclusion of option rights pursuant to article 2441, paragraph 4, second indent, or article 2441, paragraph 5, of the Italian Civil Code; or
- (iv) through a combination of the aforementioned three alternatives.

The Delegation has been partially exercised (by way of resolution of the Board of Directors on 18 April 2018) for an aggregate amount of EUR 100,000,000.00 with issuance of no. 3,751,428 ordinary shares subscribed for by Alabbar Enterprises.

The Ordinary Shareholders' Meeting of 21 April 2017, after revocation of the authorization granted by the Meeting on 27 April 2016, approved, with the majorities provided for by art. 44-bis, paragraph 2 of the Issuers Regulation for whitewash purposes, the authorization to purchase and sale treasury shares, pursuant to artt. 2357, 2357-ter of the Civil Code and art. 132 TUF and the relating implementing provisions. The authorisation aims at allowing the Company to launch purchasing plans of treasury shares for the purposes listed in art. 5 of the MAR, as possibly extended by the practices admitted by art. 13 MAR and accordingly to destine treasury shares held (a) to service stock option plans or other granting of shares to employees or members of the Issuers' administrative or control bodies or of an affiliate thereof or, where permitted by the practices admitted under art. 13 MAR, a subsidiary; (b) to service the conversion of bond loans; and (c) to the subsequent forfeiture, with no share capital variation, on the terms that may be possibly resolved by the competent corporate bodies.

With reference to the aims preceding the Ordinary Shareholders' Meeting:

- authorised, pursuant to Article 2357 of the Civil Code, the purchase, in one or more tranches, for a period of 18 months from the date of the adoption of the shareholder resolution, of ordinary shares in the Company up to a maximum that, taking into account the ordinary YNAP shares held at any time by the Company and its subsidiaries, does not in total exceed the limit of 10% of the ordinary share capital at a price that is not greater than the higher of the last independent transaction and the highest current independent offer price on the market where the purchase is to take place, without prejudice to the fact that the unit price cannot be lower than 5% or higher than 5% of the official registered price of YNAP stock on the trading day prior to each individual purchase transaction;
- granted the Board of Directors, in the persons of the President of the Board and of the Chief Executive Officer, jointly and severally, with a mandate to identify the number of shares to purchase in relation to each purchasing plan, in the context of the above-mentioned aims indicated prior to the launch of the same plan and to proceed with the purchasing of shares with the modalities set in the applicable provisions of the Issuers Regulation implementing art. 132 TUF, in compliance with the conditions relating to trading as per art. 3 of Delegated Regulation (EU) 2016/1052 and as deemed appropriate in the interests of the Company, granting every broadest power, with authority to sub delegate the *Chief Financial and Corporate Officer*, for the execution of the purchasing transactions as part of the shareholder resolution and all other formalities related to them, including the possible appointment of intermediaries pursuant to law and with the right to appoint persons with special powers of attorney;
- authorised the Board of Directors, in the persons of the Chairman of the Board and of the Chief Executive Officer, jointly and severally, pursuant to Article 2357-ter of the Civil Code, to make available, at any time, in full or in part, on one or more occasions, treasury shares purchased on the basis of the shareholder resolution, or in any case already in the Company portfolio, (i) by making them available for servicing the aims set out in items (a) and (b) above, on the terms, with the modalities and under the conditions of the disposal deed as determined by the competent corporate bodies, as applicable, in the context of the issuance transaction of the convertible bond loan and the stock options distribution plans or other granting of shares (in this latter case, even without consideration if so established by said plan); (ii) for the purpose of forfeiting treasury shares, with no capital variation, on the terms resolved by the competent corporate bodies; or (iii) should there be residual shares in the portfolio not destined (or that could no longer be destined) to the undertakings under (i) and (ii), by disposing thereof on the exchange or over the counter, even in the context of strategic transactions, including the exchange of equity interests, or, also through the sale of actual and/or personal rights, including, by way of example, securities lending, at the price or value that will prove fair and in line with the transaction, in light of the characteristics and nature thereof and taking also into account the market performance, granting every broadest power, with authority to sub delegate the *Chief Financial and Corporate Officer* for the execution of the sale

transactions under the Shareholders' Meeting resolution, as well as all other related formalities, including the possible appointment of intermediaries enabled pursuant to the law and with the right to appoint persons with special powers of attorney; disposal transactions of treasury shares held will in any case be executed in compliance with the legislative and regulatory regime in force on the trading of listed securities, including the practices admitted pursuant to art. 13 MAR, and may take place in one or more tranches, as deemed appropriate in the interests of the Company, with no time limits to said authorisation;

- stipulated, as defined by law, that the purchases of shares as authorised fall within the limits of the distributable income and the available reserves resulting from the last set of balance-sheet accounts (including annual accounts) approved at the time the operation is implemented and that following the purchase and offer of equity shares, the necessary accounting adjustments are made pursuant to the applicable legal provision and accounting standards.

The same Meeting further resolved to expressly acknowledge that, in application of the so called *whitewash* as per art. 44-bis, paragraph 2, of the Issuers Regulation, the authorisation resolution to purchase treasury shares, where approved with the majorities provided for in said article, will give rise to the exemption from the obligation to launch an any and all public tender offer for the shareholder Richemont Holdings (UK) Limited (and its direct parent company Compagnie Financière Richemont S.A. and the parent company thereof Compagnie Financière Rupert S.a.p a.), if, due to the purchases of treasury shares executed by the Company in execution of the meeting resolution, the shareholder Richemont Holdings (UK) Limited (and, indirectly, Compagnie Financière Richemont S.A. and Compagnie Financière Rupert S.a.p a.), were to exceed the threshold of 25% of the ordinary share capital. The aforementioned authorisation resolution to purchase treasury shares has been approved by the ordinary Shareholders' Meeting of 21 April 2017 with the majorities required by art. 44-bis, paragraph 2, of the Issuers Regulation. At the present date, YNAP holds 17,339 treasury shares, equal to 0.019% of the current share capital (equal to EUR 919,662.88, divided into 91,966,288 ordinary shares), purchased on the basis or prior authorisations.

L) MANAGEMENT AND COORDINATION ACTIVITIES

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

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

- with regard to information on agreements between the Company and the directors which involve compensation in the case of resignation or unfair dismissal, or if the relationship ceases following a takeover bid (Article 123-bis, paragraph 1, letter i)), see the remuneration report prepared pursuant to Article 123-ter of the TUF and Article 84-quater of the Issuers' Regulation available in accordance with the law in the Governance section of the Company website at www.ynap.com;
- for information regarding the appointment and replacement of directors (Article 123-bis, paragraph 1, letter l), part one) see section 4.1 below;
- for information on the main features of the risk and internal control management system (Article 123-bis, paragraph 2, letter b)), see sections 10 and 11 below;
- for information on the mechanisms of the General Meeting, its main powers, shareholders' rights and how they may be exercised (Article 123-bis, paragraph 2, letter c)), see section 16 below;
- for information on the composition and functioning of the management and control bodies and their committees (Article 123-bis, paragraph 2, letter d) and d-bis)), see paragraphs 4, 6, 7, 8, 10, 13 and 14 below.

3. COMPLIANCE

The Issuer has made the Code publicly available on the website of the Corporate Governance Committee on the page <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>.

With specific reference to the application of Criterion 3.C.1 point e) of the Code, please refer to paragraph 4.6 of this Report below.

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

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT OF DIRECTORS

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

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

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

Directors are appointed by the General Meeting, in accordance with rules from time to time in force governing balanced gender representation, based on the lists presented - in compliance with the law and regulations from time to time in force and the articles of association - in which candidates meeting the requirements stipulated by the law and regulations from time to time in force must be listed in numerical order. The outgoing Board and shareholders that, when the list is presented, hold a stake at least equal to that determined by Consob pursuant to Article 147-ter, paragraph 1, of the TUF, and in compliance with the Issuers' Regulation, may submit a list for the appointment of directors. In this regard, with Resolution 20273 of 24 January 2018, Consob set the shareholding required to present candidate lists for the election of the Issuer's Board in the year ended 31 December 2017 at 1% of the share capital. Ownership of the minimum shareholding percentage is established on the basis of the shares registered to the shareholder on the day on which the lists are submitted to the Issuer; the relative certificates may also be produced after submission, as long as this takes place by the date set for publication of the lists.

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

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

Furthermore, the lists contain, also in annexes:

- (i) CVs detailing the candidates' personal and professional profiles;
- (ii) the statements in which the candidates accept their candidacy and certify that there are no reasons of ineligibility or incompatibility and that they meet the requirements prescribed by the laws in force for the office of company director. These statements may also include a declaration as to whether they meet the requirements to qualify as independent directors, and, if necessary, further requirements set out in the codes of conduct drawn up by companies managing regulated markets or by trade associations;
- (iii) for lists presented by shareholders, the identities of the presenting shareholders and their total equity investment;
- (iv) any further or other declaration, information and/or document provided for by law and applicable regulations.

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

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

- A)
 - (i) from the list that obtained the highest number of votes (the "**Majority List**"), all the directors are drawn, in order of presentation, except for candidates drawn from any of the lists described in points (ii) and (iii) below;
 - (ii) from any list presented by a shareholder also holding shares without voting rights (i.e. holding B Shares) (hereinafter the "**Limited-Vote Shareholder**", and the "**List presented by the Limited-Vote Shareholder**"), two directors are drawn, in order of presentation. If lists are presented by several Limited-Vote Shareholders that are not related parties, the directors will be drawn from the list that obtained the highest number of votes among these lists;
 - (iii) from the list - other than the Majority List and other than the List presented by the Limited-Vote Shareholder - that obtained the highest number of votes and is not related, including indirectly, to the shareholders presenting or voting for the Majority List or the List presented by the Limited-Vote Shareholder, pursuant to the applicable provisions (the "**Minority List**"), one director is drawn, i.e. the person who appears beside the number one on the list;
 - (iv) if there is no List presented by the Limited-Vote Shareholder or no Minority List, the directors or director that would have been drawn from these lists are drawn from the Majority List.
- B) In addition to and in clarification of the points under letter A) above, it is determined that:
 - (i) any List presented by a Limited-Vote Shareholder will produce two directors, also if it is the list that obtains the highest number of votes; therefore, in this event, the Majority List will be regarded, for the purposes of calculating which directors to elect, as the list obtaining the second-highest number of votes;
 - (ii) a list that, despite obtaining the highest number of votes and despite not being presented by a Limited-Vote Shareholder, has all three of the following characteristics - (x) it was presented by shareholders and therefore not by the Board of Directors pursuant to the articles of association, (y) it was voted for by a Limited-Vote Shareholder, and (z) it obtained a higher number of votes than the other lists only by virtue of the deciding vote cast by a Limited-Vote Shareholder - will also be regarded in the same way as the List presented by a Limited-Vote Shareholder, and will therefore produce only two directors, pursuant to A) (ii) above;
 - (iii) if the Majority List is the list presented by the Board of Directors, and no list is presented or voted for by any Limited-Vote Shareholder, all the directors to be elected will be drawn from the Majority List, except for the director drawn from any Minority List;
 - (iv) if only one list is presented, and unless this list was presented by a Limited-Vote Shareholder, the General Meeting votes on it, and if it obtains a relative majority of the votes, without taking abstentions into account, the candidates listed are elected as directors in order of presentation;

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

- (a) if the list presented by the Board of Directors is one of the Tied Lists, it will be regarded as the Majority List. If there is only one other Tied List, this will be regarded as the Minority List; if there is more than one, the Minority List will be identified by applying the criterion described in point (b) to determine the Majority List;
- (b) if the list presented by the Board of Directors is not one of the Tied Lists, the Tied Lists will be ordered according to the size of the equity investment held by the shareholder that presented the list (or the shareholders that presented the combined list) when the list was presented, or, alternatively, according to the number of shareholders jointly presenting the list: the first list in the order will be regarded as the Majority List and the second as the Minority List;

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

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

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

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

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

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

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

SUCCESSION PLANS

On 2 August 2017 the Board adopted a succession plan of executive directors (the “**Plan**”), in line with Application Criterion 5.C.2 of the Code, entrusting the Directors’ Appointment Committee with the mandate to monitor and review the Plan for the purpose of assuring a timely and effective replacement of Executive Directors, as well as to annually report to the Board on said activities. The Directors’ Appointment Committee is supported by the Human Resources division.

The Directors’ Appointment Committee has been entrusted with the preparation of the Plan and, in cooperation with the Human Resources division, the General Counsel and some managers, identified the suitable procedures aimed, on the one side, at avoiding the exiting of Executive Directors prior to the natural expiry of their mandate, and on the other, at assuring,

should this happen, an effective and timely replacement of Executive Directors, for the purpose of guaranteeing the continuity and stability of the management.

The Plan is divided in two sections setting out, respectively (i) a description of the procedures to be followed in case any Executive Director early terminates his or her office, and in case of Plan review and update; and (ii) a list of contingency substitutes, to be updated with at least annual frequency.

4.2 COMPOSITION

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

- the following 7 (seven) Directors were appointed by the General Meeting of 30 April 2015, based on the two lists presented (6 (six) members were taken from List 1, presented by the outgoing Board of Directors, and the remainder were taken from List 2, presented by a group of institutional investors) pursuant to the articles of association in force at the said date:
 - Raffaello Napoleone (Chairman)
 - Federico Marchetti (executive director)
 - Stefano Valerio (Vice Chairman – executive director)
 - Robert Kunze-Concewitz (Lead Independent director)
 - Catherine Gérardin Vautrin
 - Laura Zoni
 - Alessandro Foti
- 2 (two) Directors Richard Lepeu and Gary Saage were appointed by the Ordinary General Meeting of 21 July 2015 with effect from effective date of the Merger, and
- 2 (two) additional independent members, namely Eva Chen and Vittorio Radice, were appointed by the Ordinary General Meeting of 16 December 2015.

On 24 February 2017 Board Member Gary Saage resigned from the office as Company Director, effective as of the date of the Shareholders' Meeting of 21 April 2017. The same Meeting, upon proposal of the Board of Directors, appointed Cedric Bossert as new Company director.

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

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

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

NAME	POSITION	YEAR OF BIRTH	IN OFFICE SINCE	IN OFFICE UNTIL	M/m LIST	EXEC.	NON EXEC.	INDEP. CODE	INDEP. TUF	ATTENDANCE %	OTHER POSITIONS
FEDERICO MARCHETTI	CHIEF EXECUTIVE OFFICER	1969	30/04/2015 FIRST APPOINTED: 04/02/2000	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M	X				100	0
RAFFAELLO NAPOLEONE	CHAIRMAN	1954	30/04/2015 FIRST APPOINTED: 02/07/2004	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M		X	X (*)	X	83.3	0
STEFANO VALERIO	VICE CHAIRMAN	1970	30/04/2015 FIRST APPOINTED: 10/05/2006	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M	X				100	1
CATHERINE GÉRARDIN VAUTRIN	DIRECTOR	1959	30/04/2015 FIRST APPOINTED: 21/04/2010	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M		X	X	X	83.3	2
LAURA ZONI	DIRECTOR	1965	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M		X	X	X	100	0
ROBERT KUNZE-CONCEWITZ	DIRECTOR	1967	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M		X	X	X	83.3	2
ALESSANDRO FOTI	DIRECTOR	1963	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	m		X	X	X	100	2
RICHARD LEPEU	DIRECTOR	1952	21/07/2015 (**) FIRST APPOINTED: 21/07/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	-		X			100	0
EVA CHEN	DIRECTOR	1979	16/12/2015 FIRST APPOINTED: 16/12/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	-		X	X	X	100	0
VITTORIO RADICE	DIRECTOR	1957	16/12/2015 FIRST APPOINTED: 16/12/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	-		X	X	X	66.7	2
CEDRIC BOSSERT	DIRECTOR	1959	21/04/2017 FIRST APPOINTED: 21/04/2017	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	-		X			33.3(***)	1

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

(**) Appointment effective as of the effective date of the Merger.

(***) Please note that the attendance percentage of director C. Bossert at the Board meetings held in the course of the year is referred to the no. 3 board meetings held from 21 April 2017 to 31 December 2017.

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Directors ceased from office during the fiscal year

NAME	POSITION	YEAR OF BIRTH	IN OFFICE SINCE	IN OFFICE UNTIL	M/m LIST	EXEC.	NON EXEC.	INDEP. CODE	INDEP. TUF	ATTENDANCE %	OTHER POSITIONS
GARY SAAGE	DIRECTOR	1960	21/07/2015(*) FIRST APPOINTED: 21/07/2015	APPROVAL OF THE 31/12/2016 FINANCIAL STATEMENTS (**)	-		X			100(***)	1

(*) Appointment effective as of the effective date of the Merger.

(**) On 24 February 2017 Board Member Gary Saage resigned from the office as Company Director, effective as of the date of the Shareholders' Meeting of 21 April 2017.

(***) Please note that the attendance percentage of director G. Saage at the Board meetings held in the course of the year is referred to the no. 3 board meetings held from 1 January 2017 to 21 April 2017.

KEY

Position: indicates whether the director is Chairman, Vice-Chairman, Chief Executive Officer, etc.

List: M/m, according to whether the director was elected from the majority (M) or minority (m) list.

Exec.: if the director can be classified as executive.

Non exec.: if the director can be classified as non-executive.

Indep. Code: if the director can be classified as independent according to the criteria set out in the Code of Conduct.

Indep. TUF: if the director meets the requirements of independence established by Article 148, paragraph 3, of the TUF (Article 144-*decies* of the Issuers' Regulation).

% BoD: shows the attendance, in percentage terms, of the director at Board meetings (the number of meetings that the director attended compared to the number of meetings held during the year, or since the director took up office, is taken into account in the calculation).

Other positions: indicates the total number of positions held in other companies listed on regulated markets (including abroad), in financial, banking and insurance companies or those of significant size.

N/A: not applicable.

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

Composition of the committees at the date of the present Report

NAME	POSITION	E.C.	E.C. %	A.C.	A.C. %	R.C.	R.C. %	C.R.C.	C.R.C. %	R.P.T.C.	R.P.T.C. %
ALESSANDRO FOTI	DIRECTOR	-	-	C	100			C	100	M	100
LAURA ZONI	DIRECTOR	-	-	M	100						
RICHARD LEPEU	DIRECTOR	-	-	M	100						
ROBERT KUNZE-CONCEWITZ	DIRECTOR	-	-	-	-	C	100			M	100
CATHERINE GÉRARDIN VAUTRIN	DIRECTOR	-	-	-	-	M	100	M	83.3	C	100
RAFFAELLO NAPOLEONE	CHAIRMAN	-	-	-	-	M	100	M	83.3		

KEY

E.C.: Executive Committee; C/M inserted to indicate Chairman/Member of Executive Committee.

E.C. %: shows the attendance, in percentage terms, of the director at Executive Committee meetings (the number of meetings that the director attended compared to the number of Executive Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).

A.C.: Appointments Committee; C/M inserted to indicate Chairman/Member of Appointments Committee.

A.C. %: shows the attendance, in percentage terms, of the director at Directors' Appointments Committee meetings (the number of meetings that the director attended compared to the number of Directors' Appointments Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).

R.C.: C/M inserted to indicate Chairman/Member of Compensation Committee.

R.C. %: shows the attendance, in percentage terms, of the director at Compensation Committee meetings (the number of meetings that the director attended compared to the number of Compensation Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).

C.C.R.: C/M inserted to indicate Chairman/Member of Control and Risks Committee.

% C.C.R.: shows the attendance, in percentage terms, of the director at Control and Risks Committee meetings (the number of meetings that the director attended compared to the number of Control and Risks Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).

N/A: not applicable.

R.P.T.C.: Related-Party Transactions Committee; C/M inserted to indicate Chairman/Member of the Related-Party Transactions Committee.

R.P.T.C. %: shows the attendance, in percentage terms, of the director at Related-Party Transactions Committee meetings (the number of meetings that the director attended compared to the number of Related-Party Transaction Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).

The Company's Board of Directors met 6 (six) times during the year, while the Compensation Committee, the Control and Risks Committee, the Directors' Appointment Committee and the Related-Party Transactions Committee met 1 (one), 6 (six), 1 (one) and 1 (one) times respectively.

Diversity Policy

As concerns corporate policies on diversity applied in relation to the composition of the Board of Directors in office in relation to aspects such as age, gender composition and training and professional experience (art. 123-bis, lett. d-bis), TUF), please note that: (i) the Board is characterised by its members age diversity, taking into account that Board Member's age ranges from 39 and 66; (ii) the Company's Board of Directors includes no. 3 Directors belonging to the less represented gender, in accordance with the legislation in the matter of gender balance; (iii) the training and professional experience of Directors currently in office assures a balanced combination of profiles and experiences within the administrative body suitable to assure the due performance of the functions entrusted thereto.

Furthermore, please note that the majority of the members of the Board of Directors are of foreign origin and possess a significant international experience, as well as a diverse competences and professional experiences.

For more information on the professional competence and experience of single members reference is made to their résumés which can be found in the Issuers' website www.ynap.com Section Governance/ Internal control and risk management system.

In this respect please note that, after the self appraisal process (for more details on which please see paragraph 4.3 below), the Board assessed positively the composition and functioning of the Board of Directors and its Committees.

Please finally note that, the Board of Directors currently in office will include in the explanatory reports drafted pursuant to art. 125-ter TUF, relating to the appointment of the Board of Directors and Board of Statutory Auditors by the Shareholders' meeting called to approve the financial statements as at 31 December 2017, some indications for shareholders – even pursuant to criterion 1.C.1. lett. h) of the Corporate Governance Code – on the diversity policy in the composition of the Company's corporate bodies.

Maximum number of positions held in other companies

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

During the meeting held on 28 February 2018, following an assessment of positions held by its directors in other companies, the Board concluded that the number and quality of positions held did not interfere and were therefore compatible with the effective execution of their roles as directors at the Issuer.

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

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

Induction Programme

In the course of the year, the Chairman of the Board of Directors promoted initiatives to provide the Directors adequate knowledge of the business sector in which the Company operates, the business dynamics and their evolution, as well as the regulatory and self-regulatory framework.

In particular, on 2 August 2017, an in-depth analysis was submitted to Board Members relating to the competitive scenario in which the Issuer operates and on said occasion the Board was provided with an update on the recent case law developments having a direct impact on the e-commerce universe.

On the occasion of meetings of the Board of Directors held during 2017 aimed at illustrating certain Operations and Technology investments, the Board focused on specific aspects related to logistics and the operational dynamics of the Group.

As regards training activities relating to the legislative and regulatory framework, Consob update of the Issuers Regulation, with resolution no. 19925 of 22 March 2017, as well as the issuance of Legislative Decree no. 254/2016 implementing Directive 2014/95/EU of the European Parliament which introduced the obligation, starting from 2017, to publish a "Non-financial Information Statement", represented an opportunity to provide the Board of Directors and the Statutory Auditor with a constant update on the main legislative and regulatory novelties concerning the Company.

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

4.3 ROLE OF THE BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

Pursuant to Article 17 of the articles of association, for the resolutions of the Board of Directors to be valid, a majority of members in office must be present; resolutions are passed with a majority of votes, without taking abstentions into account. Voting takes place by open vote.

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

Pursuant to Article 19 of the articles of association, the Board of Directors is also responsible, in accordance with Article 2436 of the Civil Code, for making decisions concerning:

- simplified mergers or demergers pursuant to Articles 2505, 2505-bis and 2506-ter, final paragraph, of the Civil Code;

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- the establishment or closure of secondary offices;
- the relocation of the registered office within Italy;
- which directors serve as legal representatives;
- capital decreases following withdrawal;
- amendments to the articles of association to comply with regulatory provisions,

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

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

- approval of the business plan and subsequent amendments or additions (and/or replacements with business plans subsequently approved by the Board);
- annual investment budget and amendments or additions thereto of more than 30% of the amount indicated in the last approved business plan and/or the last approved budget;
- debt totalling more than EUR 10,000,000.00 (ten million/00) a year where not provided for in the business plan and/or the last approved budget;
- approval of the quarterly procurement and "cash" budget and amendments or additions thereto of more than 30%;
- directors' remuneration pursuant to Art. 2389, paragraph 2, of the Civil Code;
- granting of guarantees of any kind and nature higher than EUR 2,000,000.00 (two million/00);
- purchase or sale of interests in other company structures or the purchase, sale or leasing of companies, company branches or purchase or disposal of real estate;
- hiring, dismissal or changes to the employment conditions of directors with gross annual compensation of more than EUR 1,000,000.00 (one million/00);
- conditions and timing of stock option plans or buy options and relative benefits;
- adoption by the Company of (or change to) any stock option plan or any share-based incentive plan or scheme in favour of employees or the granting of options or shares based thereon;
- creation of any mortgage, pledge, charge or real guarantee on all or a substantial portion of the Company's real estate or registered movables;
- sale of all or a substantial part of shares representing the share capital of any Company subsidiary; and
- signing by the Company of any binding agreement that is included (or could be included) in any of the matters covered above.

During the year, 6 (six) Board meetings were held on the following dates: 7 February, 23 February, 1 March, 3 May, 2 August and 8 November 2017.

The minutes of the meetings were recorded.

On average, the Board meetings lasted about half an hour.

At least 8 (eight) Board meetings are expected to take place in 2018. As well as those already held on 10 January, 15 January, 21 January, 28 February and 6 March 2018 (the latter relating to the approval of the draft separate financial statements and consolidated financial statements for the year ended 31 December 2017), the calendar of the main company events for 2018 (already announced to the market and Borsa Italiana S.p.A. in accordance with regulatory provisions) includes 3 (three) further meetings on the following dates:

- 9 May 2018: interim trading statement 31 March 2018;
- 1 August 2018: approval of the half-year financial statements at 30 June 2018;
- 7 November 2018: interim trading statement 30 September 2018.

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

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

Pre-board documents remain available for consultation to all members of the Board of Directors also after the conclusion of Board meetings.

Board meetings may also be attended by managers of the Issuer and of the Group to which it now belongs to provide more in-depth information on agenda items. In the reference year, certain Group's managers have been invited to join the board of Directors meetings held on 1 March, 3 May and 2 August 2017 with the aim to provide the Board of Directors with an in-depth analysis as regards specific items on the agenda.

Pursuant to Criterion 1.C.1 lett. c), at its meeting of 28 February 2018 the Board assessed the adequacy of the organisational, management and general accounting structure of the Issuer and the strategically important subsidiaries prepared by the CEO, with a specific focus on the internal control and risk management system. In conducting this assessment, the Board not only checked the existence and implementation of an internal control and risk management system at the Issuer and its subsidiaries, but also carried out its periodic detailed examination of the system's structure, its suitability, and its effective and actual functioning.

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

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

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

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

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

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

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

Pursuant to Criterion 1.C.1. letter g) of the Code, the Board carried out the annual assessment on the basis of a questionnaire for the self-assessment - as regards the size, composition and functioning of the Board and the Committees, interaction with the Management, Corporate Governance and Risk Governance - with the possibility to express comments and proposals; such questionnaire has been filled up by all Directors and shared by the Board at the meeting of 28 February 2018. As concerns the outcome thereof please note that the Board of Directors considered the management body adequately suitable to carry out the functions entrusted thereto by the regulations in force, as well as its composition and functioning, also taking into account the presence, over a total of 11 (eleven) members, of 9 (nine) non-executive directors, including 7 (seven) independent non-executive directors, whose presence also ensures the ideal composition of the Committees within the Board. Furthermore the Board of Directors deemed the composition of the administrative body to reflect adequate diversity profiles in relation to aspects such as age, gender composition, geographic origin, international expertise as well as training and professional experience (please also see in this respect paragraph 4.2 above)

Please finally note that, the Board of Directors currently in office will include in the explanatory reports drafted pursuant to art. 125-ter TUF, relating to the appointment of the Board of Directors and Board of Statutory Auditors by the Shareholders' meeting called to approve the financial statements as at 31 December 2017, some indications for shareholders – even pursuant to criterion 1.C.1. lett. h) of the Corporate Governance Code – on the diversity policy in the composition of the Company's corporate bodies.

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

4.4 DELEGATED BODIES

Chief Executive Officers

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

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

On 12 May 2016, the Board of Directors confirmed the vesting of the current Chief Executive Officer, Federico Marchetti, with the broadest powers for the ordinary administration of the Company, including, but not limited to, powers of signature and legal representation on behalf of the Company with respect to third parties and in legal matters, with the exception of decisions on matters that are the specific remit of the Board of Directors, set out in section 4.3 above.

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

Chairman and Vice Chairman of the Board of Directors

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

Through a resolution of 30 April 2015, the Board of Directors appointed Director Raffaello Napoleone as Chairman of the Board of Directors.

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

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

Executive Committee

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

Reporting to the Board

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

4.5 OTHER EXECUTIVE DIRECTORS

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

4.6 INDEPENDENT DIRECTORS

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

- (i) do not control the Issuer, directly or indirectly, even through subsidiaries, fiduciary companies or third parties, nor are able to exercise a significant influence on it;
- (ii) do not belong, directly or indirectly, to any shareholders' agreement, through which one or more parties may exercise control or significant influence over the Issuer;
- (iii) are not, and have not been in the last three years, important representatives of the Issuer, one of its subsidiaries with strategic importance, a company under joint control with it, a company or an organisation that, also jointly with others through a shareholders' agreement, controls the Issuer or is able to exercise significant influence thereon;
- (iv) do not have, and did not have in the previous year, directly or indirectly (for example through subsidiaries or companies for which they are important representatives, in the sense indicated in point (iii) above, or as a partner in a professional or consultancy company), a significant commercial, financial or professional relationship: (a) with the Issuer, with one of its subsidiaries, or with any important representatives, in the sense indicated in point (iii) above, of the same; (b) with a party that, also jointly with the others through a shareholders' agreement, controls the Issuer, or – if it is a company or

organisation – with important representatives, in the sense indicated in point (iii) above, of the same or does not have or has not had, in the previous three years, a work relationship with the above;

- (v) without prejudice to point (iv) above, do not have independent or subordinate work relationships, or other financial or professional relationships that would compromise their independence: (a) with the Issuer, with its subsidiaries or parent companies or with its joint ventures; (b) with the directors of the Issuer; (c) with their spouses or close relatives up to the fourth degree of directors of the Company as set out in point (a) above;
- (vi) do not receive, and have not received in the last three years, from the Issuer, a subsidiary or parent, significant additional remuneration on top of the “fixed” fee received as non-executive director, including participation in company performance-linked incentive plans, including share-based schemes;
- (vii) have not been directors of the Issuer for more than nine years in the last 12 years, except for the independent director Raffaello Napoleone;
- (viii) do not hold the position of executive director in another company in which an executive director of the Issuer holds the post of director;
- (ix) are not shareholders or directors of a company or organisation belonging to the network of the company responsible for auditing the Issuers’ accounts;
- (x) have no family ties to a person in one of the situations set out above and in any case are not spouses or close relatives up to the fourth degree of the directors of the Issuer, nor directors, spouses or close relatives with the fourth grade of its subsidiaries, its parent companies and its joint ventures with the Issuers.

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

The meeting of the independence requirements set out in Article 3 of the Code and Article 147-ter, paragraph 4, of the TUF by each independent directors has been verified by the Board in the first useful occasion after their appointment, with relating disclosure to the market, and lastly on 28 February 2018.

With specific reference to Raffaello Napoleone, the Board of Directors – on 30 April 2015 and then again on 9 November 2016 and 28 February 2018 determined to disregard criterion 3.C.1 item e) of the Code including, among the non-binding hypothesis leading to qualify a director as non-independent, the circumstance that the same was a director for nine years in the last twelve years. The Company, even considering that the criteria set out in the Code shall be considered nor exhaustive or binding, privileged a substance profile in the assessment of the composition of the management body and of its members in line with the provisions of the Code, valorising - in the Company’s interest – the high professional profile of director Napoleone who has proven precious over time for the Issuer and more than adequate to bring his contribution to the activity of the management body as independent figure. Further, the Company’s Board of Directors – with the consent of the Board of Statutory Auditors – decided to disregard said criterion, for the following reasons: (i) the nine years would have expired during the three-year period, but were not yet expired as at the appointment date, (ii) the nine years of office have been suspended between 2009 and 2010, when Director Napoleone first resigned and was then reappointed by co-optation.

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

Please note that Independent Chairman Raffaello Napoleone currently owns 14,555 YNAP ordinary shares and that Independent directors Robert Kunze –Concewitz and Vittorio Radice respectively own 7,000 and 10,000 YNAP ordinary shares.

At the Board meeting of 28 February 2018, with reference to independent directors Raffaello Napoleone, Catherine Gérardin Vautrin, Laura Zoni, Eva Chen, Alessandro Foti, Robert Kunze-Concewitz and Vittorio Radice, the Board of Statutory Auditors,

pursuant to Criterion 3.C.5 of the Code, stated that the verification criteria and procedures adopted by the Board of Directors to assess independence requirements at their respect appointment were applied correctly.

Independent directors met 9 (nine) times during the year at the meetings of the Control and Risks Committee, Compensation Committee, Directors' Appointment Committee and Related-Party Committee. Matters discussed were mainly those addressed by the quoted Committees, as well as subjects connected to the Company's management organisation. In this respect please note that as at the date of the present Report all committees within the Board of Directors are comprised of independent Directors, the majority of whom is independent.

In accordance with Criterion 3.C.6 of the Code, on 6 December 2017 the Independent Directors met in a dedicated and separate meeting and with the absence of the other Directors. The meeting took place having being summoned by the Lead Independent Director.

4.7 LEAD INDEPENDENT DIRECTOR

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

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

5. HANDLING OF COMPANY INFORMATION

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

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

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

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

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

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

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

The Board of Directors of the Issuer resolved to adopt a "Procedure for the management of the Group register of persons with access to privileged information", subsequently amended on 16 December 2015 in order to include certain amendments to the legal and regulatory framework, which in the meanwhile entered into force, and to take into account the new dimension of the Group resulting from the Merger.

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

INTERNAL DEALING PROCEDURE

On 3 September 2009 the Issuer's Board of Directors resolved to adopt the "Procedure for fulfilling obligations in the matter of Internal Dealing, subsequently amended on 16 December 2015 in order to include certain amendments to the legal and regulatory framework, which in the meanwhile entered into force, and to take into account the new dimension of the Group resulting from the Merger.

In implementation of the regime set out in art. 19 MAR and of its relevant implementing rules of the European Commission and in compliance with the applicable provisions of the TUF and the Issuers Regulation, the Company adopted a new "Procedure for fulfilling obligations in the matter of Internal Dealing (the "**Internal Dealing Procedure**") governing disclosure obligations concerning transactions on financial instruments entered into by Relevant Persons, identified by the same Internal Dealing Procedure, for the purpose of guaranteeing enhanced transparency to the market and adequate preventive measures against market abuse and, specifically, against internal dealing.

The Internal Dealing Procedure, in force since 3 July 2016, was subsequently updated with resolution of the Board of Directors of 2 August 2017 to transpose the regulatory changes intervened in the meantime.

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

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

6. BOARD COMMITTEES

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

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

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

We set out below the composition of the board internal committees at the date of the present Report.

Composition of Board committees at the date of the present Report

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

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

7. DIRECTORS' APPOINTMENTS COMMITTEE

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

At the date of the present Report, the Directors Appointment Committee comprises 3 (three) non-executive directors, as indicated below, on the understanding that the Directors Appointment Committee was established by the decision of the Board dated 30 April 2015 and that Richard Lepeu was appointed on 11 November 2015 as provided by the Shareholders' Agreement (see the previous paragraph 2, letter g) of the Report):

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

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

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

FUNCTIONS ATTRIBUTED TO THE DIRECTORS' APPOINTMENTS COMMITTEE

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

The Directors' Appointments Committee is entrusted with the following functions:

- expressing opinions to the Board of Directors as regards the size and composition thereof and expressing recommendations as regards the professional figures the presence of whom within the Board is deemed appropriate;

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

The Board of Directors in its meeting of 2 August 2017, resolved to entrust the Directors' Appointment Committee with the mandate to monitor and review the Executive Directors Succession Plan approved by the Company on the same date, for the purpose of assuring a timely and effective replacement of Executive Directors, as well as to annually reporting to the Board on said activities. The Directors Appointment Committee is supported by the Human Resources division.

In the course of the Year, the Directors' Appointment Committee met on 2 August 2017 for the purpose of submitting a proposal to the Board of Directors in the context of the investigations initiated, by the same Board, for the preparation of the Executive Directors Succession Plan. In the course of 2018 the Directors' Appointment Committee met on 6 March 2018, for the purpose of (i) expressing its opinion on the size and composition of the new Board, as well as on the professional figures whose presence within the Board is deemed advisable; and (ii) proposing to the Board of Directors candidates for the office as director for the submission of the slate by the Board of Directors in view of the Meeting called to approved the financial statements as at 31 December 2017

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

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

8. COMPENSATION COMMITTEE

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

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

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

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

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

The functioning and tasks of the Compensation Committee are also governed by a regulation approved by the Board of Directors which, in accordance with the provisions of the Code, expressly provides for the works of the committee to be coordinated by a Chairman and for minutes of meetings to be recorded. The Chairman of the Committee did actually inform the Board of Directors on the Compensation Committee meeting during the Board's meeting held on 1 March 2017.

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

FUNCTIONS ATTRIBUTED TO THE COMPENSATION COMMITTEE

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

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

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

- it proposes the adoption of the remuneration policy for directors and managers with strategic responsibilities;
- it periodically evaluates the adequacy, overall consistency and practical application of the remuneration policy for directors and managers with strategic responsibilities, making use, for the latter, of the information supplied by the Chief Executive Officer; it formulates proposals on the subject and submits them to the Board of Directors;
- it submits proposals or gives advice to the Board of Directors on the remuneration of executive directors or other directors who hold specific offices, as well as the setting of performance targets related to the variable component of this remuneration; it monitors the application of the decisions taken by the Board, verifying, in particular, that the performance targets have been met.

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

During the reference year, the Compensation Committee met 1 (one) time on 1 March 2017.

The minutes of the meeting of the Compensation Committee were duly recorded and the meeting lasted for 50 minutes. At the invitation of the Chairman, members external to the committee, such as the Company's Chief Financial and Corporate Officer, the Group Head of Human Resources and the Corporate Affairs Manager, also attend Compensation Committee meeting. The Chairman of the Committee informs thereon at the first useful Board of Directors.

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

During the year, the Compensation Committee mainly gave its opinion on the following matters: (a) proposal concerning the definition of the targets on which to base the short time variable components for the Chief Executive Officer and Strategic Managers; (b) changes to the Company's remuneration policy (originally adopted on 7 March 2012 and subsequently amended

on 5 March 2013, 25 March 2015, 30 July 2015, 9 March 2016 and 1 March 2017; (c) determinations concerning the reference targets pursuant to the Stock Option Plan 2015 – 2025.

For 2018, no meetings of the Compensation Committee have been planned yet in addition to the one already held on 28 February 2018.

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

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

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

9. DIRECTORS' REMUNERATION

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

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

For information on the Remuneration Policy adopted by the Issuer and compensation received by members of the Board of Directors during the year, please see the remuneration report prepared pursuant to Article 123-ter of the TUF and Article 84-quater of the Issuers' Regulation available within the legal deadlines in the Governance section of the Company website at www.ynap.com (Governance section).

Incentive schemes are planned for executive officers and directors with strategic responsibilities. For more information on stock option plans in force on 31 December 2017, please refer to the information documents drafted as per Article 84-bis of the Issuer's regulations filed at the company's head office and available on the company's website at www.ynap.com (Governance section) and the report on compensation as per Article 84-quater of the Issuer's regulations available as stipulated by law on the company's website at www.ynap.com (Governance section).

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

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

10. CONTROL AND RISKS COMMITTEE

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

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

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

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

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

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

The functioning and tasks of the Control and Risks Committee are also governed by a regulation approved by the Board of Directors which, in accordance with the provisions of the Code, expressly provides for the works of the committee to be coordinated by a Chairman and for minutes of meetings to be recorded. The Chairman of the Committee did actually informed the Board of Directors on the Control and Risks Committee meetings during the Board's meetings held on 7 February, 23 February, 1 March, 3 May, 2 August and 8 November 2017.

FUNCTIONS ATTRIBUTED TO THE CONTROL AND RISKS COMMITTEE

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

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

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

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

During the reference year, the Control and Risks Committee met 6 (six) times on the following dates: 3 February, 23 February, 21 April, 20 June, 26 July and 6 November 2017, addressing the following points:

- review of the competence, autonomy and organisational adequacy of the Group's internal audit structure and positive assessment of the adoption of the "YOOX Group Internal Audit Department Mandate" for subsequent approval by the Board;
- approval of the Audit Plan prepared for the year by the Internal Audit Manager;
- examining and evaluating the completeness and adequacy of the plan of activities of the Group Internal Audit department for the year and the methods used in its definition, with a particular focus on the new Group structure after the Merger;
- examining the periodic reports prepared by the Internal Audit department for the year on the evaluation of the internal control and risk management system relating to areas subject to audit, as well as the related corrective actions shared with the managers and the outcome of the follow-up activities carried out;
- reviewing the results of activities carried out by the Director responsible for preparing the financial statements, performed with the support of the Internal Audit department, monitoring the adequacy and full operation of the internal control system under the scope of administration-accounting for compliance pursuant to Law 262/05, in relation to the annual report as at 31 December 2016 and the half-year report as at 30 June 2017;
- evaluating, together with the Director responsible for preparing the financial statements and on the advice of the Independent Auditor and the Board of Statutory Auditors, the correct use of the accounting principles and their consistency for the purpose of preparing the consolidated financial statements, as well as the process for producing the draft budget as at 31 December 2016 and the half-year financial report as at 30 June 2017;
- reviewing the results of the activities of YOOX's Supervisory Body with the support of the Internal Audit department in relation to checks on the adequacy of the Organisational Model, pursuant to Legislative Decree 231/01, and monitoring the correct and full operation of the internal control system overseeing the offence risks to which the Decree refers;
- appointing the Internal Audit Manager;
- approving changes to the Related-Party Procedure;
- approving the guidelines for impairment activities and approving the outcomes of the impairment test; and
- purchase price allocation activities.

At its meetings of 1 March 2017 and 2 August 2017, the Chairman of the Control and Risks Committee reported to the Board of Directors on the activities carried out and the adequacy of the internal control and risk management system.

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

The minutes of meetings of the Control and Risks Committee were duly recorded and the meetings lasted approximately an average of one hour and a half. The Chairman of the Committee informs thereof at the first useful Board of Directors.

At least 5 (five) meetings of the Control and Risks Committee are expected to take place in 2018. As well as the meeting of 15 January 2018 and 27 February 2018– where, amongst other things, the impairment test process and the adequacy of the internal control and risk management system were discussed - another 3 (three) meetings are scheduled for the following dates: 3 May, 26 July and 26 October.

At the meeting of 27 February 2018, the Committee also approved the audit plan for 2018, while at the meeting of 15 January 2018 it took note of the activities carried out by the Internal Audit Manager relating to the audit plan for the year and the activities carried out by the Director responsible for preparing the financial statements of the Issuer for compliance pursuant to Law 262/05 and the by the Supervisory Body for compliance pursuant to Legislative Decree 231/01.

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

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

11. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

The Board of Directors guides and assesses the adequacy of the internal control and risk management system. To this end, the Board:

- a) defines the guidelines for the internal control and risk management system, so that the main risks relating to the Issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, in line with the management of the business consistent with the strategic objectives identified;
- b) periodically checks, at least on an annual basis, the adequacy of the internal control and risk management system in relation to the characteristics of the business, as well as its effectiveness;
- c) annually approves the work plan prepared by the Internal Audit Manager, having consulted the Board of Statutory Auditors and the Director in Charge;
- d) describes the main characteristics of the internal control and risk management system and the coordination methods between the bodies involved therein, in the report on corporate governance and ownership structure, expressing an opinion on its adequacy;
- e) evaluates, having consulted the Board of Statutory Auditors, the results presented by the Independent Auditor in any management letter and in the report on the fundamental questions arising during the statutory audit.

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

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

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

- Group Strategic Risk Management Policy and Model, with reference to the definition of guidelines for the internal control and risk management system, guaranteeing the traceability of the strategic decision-making process and the taking of conscious business risks, based on acceptable risk. The *Strategic Risk Management* model is based on an risk analysis and management system which will be integrated in the broader *Enterprise Risk Management model*. This latter model is based on the ISO 31000 Standard and has been implemented with the goal of identifying, evaluating, managing and monitoring all types of Group risk, including strategic risks;
- Model pursuant to Law 262/05 with reference to the attributions related to the person of the Director responsible for preparing the financial statements and activities relating to the organisation, formalisation and verification of adequacy and effective operation of administrative-accounting procedures and procedures for the preparation of financial reports;
- Organisation and Management Model with reference to the prevention of offences pursuant to Legislative Decree 231/01, the appointment and the attributions of the Supervisory Body pertaining to the Issuer;
- Occupational Health and Safety Management System compliant with British Standard OHSAS 18001:2007 certified by a third party, in order to fulfil the requirements defined by health and safety standards in the workplace, with special reference to Legislative Decree 81/08;
- Environmental Management System that complies with standard UNI EN ISO 14001:2004 and is integrated with the Occupational Health and Safety Management System, certified by authorised third parties, in compliance with environmental regulatory requirements;
- Group Planning and Control Model, with the aim of directing and guaranteeing the alignment of management with the economic and financial objectives defined by senior company managers;
- Information security management system based on International Standard ISO/IEC 27001 for managing risks relating to the confidentiality, integrity and availability of corporate information (including the management of risks pursuant to Legislative Decree 196/2003), with the supervision of an Compliance, Ethic and Risk Committee which dictates the guidelines.

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

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

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

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

The Board of Directors, as part of the definition of strategic, industrial and financial plans, defined the risk nature and level compatible with the Issuer's strategic objectives, including in its assessments all risks that may be relevant with a view of medium-long period sustainability of the Issuers' activity. Said matters have always been, in fact, subject to specific focus by the Company, which in the last years enhanced a Sustainability road based on the consideration that conducting its business in full respect of environmental and social values is one of the basis for the creation of value for the company in the long term, to the benefit of the plurality of stakeholders. Furthermore, by virtue of the combined provisions of the novelties introduced by the code in this respect and the implementation of Directive 95/2014, as implemented by Legislative Decree 254/2016, on the Disclosure of non-financial information and corporate social responsibility, according to which starting from 2018 public interest entities – among which also listed companies – are obliged to report a number of transactions of non-financial nature relating to its sustainability initiatives in environmental, social, gender policies and diversity, respect of human rights and fight against corruption matters. Matters linked to sustainability will accordingly become a key topic both in the ordinary management of the Group, and in the activities of the Board of Directors and its Committees.

It is noted that such information, which pursuant to Legislative Decree 254/2016 are given in a separated non financial declaration, will be published as part of the 2017 directors' management report which is being approved by the Board of Directors relating to the approval of the draft separate financial statements for the year ended 31 December 2017.

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

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

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

- the design of a workflow model, procedures and risk control matrices for each company process for each Company within the scope of consolidation;
- a system of internal certification to the Director responsible for preparing the financial statements on the completeness, accuracy and reliability of the information provided to the management functions for the preparation of financial reports, as well as on the effectiveness of the control procedures with accounting significance established within each structure;
- monitoring of the Model – testing of the adequacy and effectiveness of key controls and procedures defined, in relation to the preparation of the annual and half-year financial reports, based on an analysis of the materiality of the accounting entries;
- identification of the corrective actions, follow-ups and reporting – definition and sharing of the corrective actions with Management, verification of their effective implementation, preparation of reports for the Director responsible for preparing the financial statements and for the supervisory and control bodies;
- updating of the Model and related documents, based on corporate, organisational and process changes which have taken place.

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

With regard to the identification and assessment of financial disclosure risks, the Issuer carries out its own analyses and auditing activities on the Parent Company, YOOX NET-A-PORTER GROUP S.p.A., and on the subsidiaries with revenue levels and assets above a predefined materiality threshold, and on the management of inter-company relations. Rotating analyses and audits

are also carried out on other subsidiaries on the basis of qualitative considerations, regardless of their quantitative contribution to the formation of the consolidated financial statements.

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

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

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

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

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

Having consulted the Board of Statutory Auditors and the Director, the Board of Directors approved the work plan prepared by the Internal Audit Manager for 2017 and for 2018 on 23 February 2017 and 28 February 2018 respectively.

On 28 February 2018, pursuant to Criterion 7.C.1, let. b) of the Code, the Board of Directors expressed a favourable opinion on the adequacy of the internal control and risk management system with regard to the characteristics of the business, as well as its effectiveness, using the periodic reports prepared by the Director in Charge, the Control and Risks Committee, the Internal Audit Manager and the Board of Statutory Auditors.

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

Please note in this respect that on 14 December 2017 law 30 November 2017, no. 179, setting out “Provisions on the protection of persons reporting crimes or irregularities they became aware of as part of a public or private employment relation” was published on the Official Gazette no. 291 and was adopted, after a legislative process started in 2015, with the purpose of reforming whistle blowing in the public and private sector. As per the private sector, the Law provided for the supplementing of art. 6 of Legislative Decree no. 231, for the purpose of laying down a detailed protection for all companies’ employees and/or collaborators who have reported offences they became aware of in the context of their working duties. The

whistle blowing procedure adopted by YNAP is consistent with the requirements of the aforementioned law and is further transposed in the Group Model 231.

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

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

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

- (i) identifying the main typical company risks, in relation to the characteristics of the activities of the Issuer and its subsidiaries and the sector in which they operate, reporting to the Board on 23 February 2017 and 2 August 2017;
- (ii) planning, implementation and management of the internal control and risk management system, in line with the operating conditions of the Issuer and the regulatory framework, verifying the adequacy and effectiveness through the designated structures;
- (iii) requesting audits from the Internal Audit department into specific operating areas and into the compliance of internal rules and procedures, audits which have been included in the audit plan brought to the attention of the Control and Risks Committee and the Board of Statutory Auditors for subsequent approval by the Board of Directors;
- (iv) did not, directly or through audits conducted by the Internal Audit department and by other governance functions within the YOOX NET-A-PORTER Group, identify problems that would impinge on the objectives of correct corporate governance.

11.2 INTERNAL AUDIT MANAGER

The Board, with the favourable opinion of the Control and Risks Committee and the Board of Statutory Auditors, on the recommendation of the Director in Charge, by a resolution of 9 March 2016, appointed Matteo James Moroni as Person in Charge of the Internal Audit Function of the Group and internal member of the Supervisory Body, entrusting him with the responsibility of verifying that the internal control and risk management system was adequate and functioning.

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

As well as his/her auditing activities, the Internal Audit Manager also assists the Director responsible for preparing the financial statements and the Supervisory Body to comply with Law 262/05 and Legislative Decree 231/01. He/she also acts as an internal consultant to support the corporate operational areas and oversees corporate social responsibility reporting, as well as coordinates the preparation process of the non-financial information statement pursuant to Legislative Decree 254/16. The assigning of these activities to the Internal Audit Manager received a positive evaluation from the Board in terms of opportunities, and there are no conflicts of interest or limitations to the application of the Code of Conduct.

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

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

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

- a) verifies (and during the course of the financial year has verified), both continuously and with regard to specific requirements and in compliance with the international standards of the profession, the operation and suitability of the internal control

and risk management system, through an audit plan approved by the Board of Directors based on a process of analysing and prioritising company risks;

- b) has direct access to all information useful for the performance of his/her duties;
- c) reports (and during the financial year has reported) quarterly on his/her operations and the progress of activities provided for by the plan to the Control and Risks Committee, the Board of Statutory Auditors and the Chairman of the Board of Directors and Director in charge, giving the outcomes of the activities conducted in the reference quarter in terms of audits carried out, corrective actions discussed with management and related time schedules;
- d) prepares (and during the financial year has prepared) half-year reports for the Chairman of the Control and Risks Committee, the Chairman of the Board of Statutory Auditors and the Chairman of the Board of Directors and Director in charge, highlighting the methods through which risk management is carried out, compliance of the plans defined for containing it, as well as giving an assessment of the suitability and adequacy of the overall internal control and risk management system;
- e) attends the meetings of the Board of Directors and the Control and Risks Committee to which he/she is invited and, with regard to the year, attended the Board meetings of 23 February 2017 and 2 August 2017 as well as all the meetings of the Control and Risks Committee;
- f) carries out the further tasks that the Board deems appropriate to allocate to him/her, in other words as far as the year was concerned, coordinating and supporting corporate social responsibility issues.

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

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

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

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

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

- operational assurance audits were conducted on several key company processes identified through a risk-based methodology and specific follow-up activities were carried out;
- for the purpose of issuing a certificate by the Director responsible for preparing the financial statements in relation to financial reporting as at 30 June 2017 and 31 December 2017 (Law 262/05), on the mandate of the latter periodic monitoring activities were carried out on Model 262 and the activities of maintaining and updating the internal control system documentation relating to the main administrative-accounting processes of YOOX NET-A-PORTER GROUP were completed; It was also ascertained that the system of internal certification to the Director responsible for preparing the financial statements on the completeness, accuracy and reliability of the information provided to the management functions for the preparation of financial reports, and on the effectiveness of the control procedures with accounting significance established within each structure, was functioning correctly;

- to ensure compliance with Legislative Decree 231/01, on the mandate of the Supervisory Body, specific audits were conducted into areas of the Organisational Management and Control Model of YOOX NET-A-PORTER GROUP S.p.A. designated as "sensitive". As a member of the Supervisory Body, the Internal Audit Manager helps to make the Model effect from inside the organisation;
- consultancy activities were carried out to improve internal controls relating to some company areas, also with regard to process and responsibility reorganisations, as well as their formalisation within the scope of company procedures;
- support was also provided to the Company in the maintenance of an SA8000 (Social Accountability) management system, which is a voluntary standard that can be verified by an accredited certification body. The standard appraises and safeguards all personnel within the organisation's sphere of control and influence, setting out fundamental requirements that must be met in order to improve workers' rights and workplace conditions and to manage relations with suppliers and contractors. The Company obtained international SA8000 certification from accredited certification body IQNet Ltd on 20 July 2015 and assured the transition of the management system to the new version of the SA8000:2014 standard. The current scope of application of the certification is limited to the Italian registered offices of Milan and Zola Predosa, Bologna Masini, Casalecchio and the Bologna Interporto logistics cluster. The extension of such model to the other companies of the Group is currently under evaluation;
- finally, with reference to the management of the Group's Corporate Social Responsibility process, the Internal Audit Function, after the discontinuation of the publication of the Sustainability Report for the year 2015 due to the integration process following the merger, has guaranteed the update and the extension to all the Group of appropriate reporting tools for sustainability. Further, the Audit Function has managed a stakeholder engagement process internal and external, availing itself of the support of a highly specialized advisor. This process led to the definition of the strategic vision of the Group's Sustainability. In the course of 2017 the structuring exercise of the sustainability vision within a strategic framework capable of assigning measurable objectives and targets also progressed.

The first Sustainability Report of the Group was published in April 2017 in compliance with the option "core" as defined by the "G4 Sustainability Reporting Guidelines" issued by the Global Reporting Initiative (GRI).

For the purpose of complying with the requirements of Legislative Decree no. 254/2016 in the matter of non-financial information as mentioned in paragraph 1 of this Report, the Internal Audit Function defined an informative set and the indicators to be included in the Non-financial information consolidated statement, in accordance with the provisions of Legislative Decree 254/2016, by referring to the materiality analysis already conducted and in line with the GRI-G4 guidelines issued by the *Global Reporting Initiative (GRI)*. In particular the Internal Audit function was supported by a primary consultancy company specialising in Risk & Compliance and Sustainability Services for the completion of a structured gap analysis, comprising benchmarking activities, aimed at identifying possible informative deficiencies and improvement areas in relation to the reporting areas provided for by article 3 of Legislative Decree 254/2016. The outcome of the analysis, which was completed in November 2017, led to a deep review of the minimum content subject to reporting, of the policies and reference framework of the Non-financial information consolidated statement. The analysis further allowed to identify improvement areas which have been timely analysed and incorporated in an action plan.

Furthermore, the Internal Audit Function provided consultancy in the matter of governance of the non-financial reporting process: assignment of roles and responsibilities for the collection of non-financial information (data review and assurance by data owners) and implementation of formalized controls to assure accuracy and completeness of data. The final result of said activity was the release of the Group's procedure for the preparation of the Non-financial information consolidated statement. The Non-financial information consolidated statement of YOOX NET-A-PORTER GROUP is included in the Directors' Management Report in section Non-financial information consolidated statement and was approved by the Board of Directors of YOOX NET-A-PORTER GROUP on 6 March 2018.

During the course of the year, the Internal Audit department made use of external parties with the appropriate professional, organisational and independence requirements with regard to the Issuer. No areas of responsibility of the Internal Audit department are outsourced.

11.3 ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

The Issuer adopted an organisational, management and control Model to prevent the offences for the purposes envisaged by Legislative Decree 231/2001 (hereinafter also "Model 231"), as subsequently amended on 3 September 2009 with a view to

ensuring that corporate activities are conducted correctly and transparently and to protect its position and image and those of Group companies, shareholders' expectations and the work of its employees, formulated according to the specific requirements determined by the entry into force of Legislative Decree 231/2001.

Through the Board of Directors' resolution of 16 December 2010, in the light of the regulatory updates that took place, the Issuer adopted a new version of Model 231 and the Group Code of Ethics. The latest updates of the Model, which include the regulatory and organisational amendments and the most recent legal and doctrinal guidelines on the subject, were implemented by way of Board resolution on 31 July 2013, on 12 May 2016 and on 2 August 2017 - the latter with reference to the adjustment of the list of predicate offences to the legislative evolutions which led to the restatement of the offence of corruption among privates and the extension of the 231 liability to illegal intermediation and labour exploitation. The Company is also implementing an updated version of the Model, coordinating such activity to the broader construction of the abovementioned Integrated Compliance model.

The Code of Ethics is an integral part of Model 231. It outlines the ethical principles and conduct that should be followed by Company employees and other recipients, helping to create a control environment that can ensure the Issuer's activities are always based on the principles of fairness and transparency, and reducing the risk of the crimes mentioned in Legislative Decree 231/2001. In addition to the Code of Ethics, the Company prepared a document called «YNAP Way of Working» (WoW), which aims, according to the underlying intention, at assuming the nature of Group's Code of Conduct and at incorporating high level principles of conduct, which are described in detail within the specific policies and procedures belonging to the corporate procedural body, expressly recalled through web-links (e.g. whistle blowing policy, information security policy), including the policies relating to the topics identified by article 3 of Legislative Decree 254/2016. The Company finally proceeded with the update of the Code of Conducts for vendors, which is inspired by the Universal Declaration of Human rights and the principles of the International Labour Organization (ILO), and is extending it to all categories of vendors.

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

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

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

The Chairman of the Supervisory Body prepared six-monthly reports for the Board of Directors on 23 February 2017 and on 2 August 2017, containing information on the verification and monitoring activities conducted and their outcome.

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

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

The training activities on the Model are managed centrally by the Learning & Development Department within the Human Resources Function.

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

11.4 INDEPENDENT AUDITOR

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

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

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

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

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

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

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

- Prevention and Protection Service (headed by Daniela Rinaldi), which oversees the Integrated Occupational Health and Safety Management and Environmental Management System, defined in accordance with British Standard OHSAS 18001:2007 and standard UNI EN ISO 14001:2004, for the purpose of controlling legislative compliance, specifically in relation to Legislative Decree 81/08 in the area of health and safety, and Legislative Decree 152/06 in the area of the environment. Daniela Rinaldi was reappointed Head of the Prevention and Protection Service on 1 July 2013, appointed Head of the Occupational Health and Safety Management System on 21 December 2011, and appointed Head of the Environmental Management System on 4 March 2013. The function made use of both internal resources and external consultants for auditing activities in 2014. In order to comply with its responsibilities, the function does not have its own budget, which remains the responsibility of the delegated occupational health and safety officer to whom the Head of the Prevention and Protection Service reports;
- Information Security (headed by Varun Uppal), which oversees the Group Information Security Management System based on international standard ISO/IEC 27001, with the purpose of intercepting and managing risks relating to confidentiality, integrity and availability of company information. In 2017, the risks analysis activities carried out by the Information Security Function focused on the risk evaluation of the systems managing data owned by the Group and technology due diligence of third parties to the Group. The Information Security Management System further includes personal data protection, in accordance with the requirements of Legislative Decree 196/2003, protection of information

relating to credit card transactions, in compliance with the international PCI-DSS standard, and protection of strategic information essential for the business. Gianluca Gaia is Privacy Officer in charge for supervising data protection;

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

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

11.6 COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The coordination methods established by the Issuer for the various persons involved in the internal control and risk management system ensure, including in the year under review, the effective and efficient coordination and sharing of information between the bodies which have these functions. Specifically:

- the Internal Audit Manager maintains regular communication flows with the other company bodies and structures with supervisory or monitoring functions of the internal control and risk management system, such as the Director responsible for preparing the financial statements, the Supervisory Body pursuant to Legislative Decree 231/01, the Independent Auditor, the Head of the Prevention and Protection Service, the Legal Department, each within their sphere of activity and responsibility;
- attendance by the Internal Audit Manager at meetings of the Supervisory Board and meetings of the Compliance, Ethics and Risk Committee as a member of these bodies, the monitoring carried out by the Internal Audit department pursuant to Law 262/04 on the mandate of the Director responsible for preparing the financial statements and pursuant to Legislative Decree 231/01 on the mandate of the Supervisory Body, and, lastly, attendance by the Internal Audit Manager at all meetings of the Control and Risks Committee held during the year, enabled the Internal Audit department to maintain adequate visibility on the incumbent corporate risks managed in the YOOX NET-A-PORTER GROUP and the problems arising and brought to the attention of the various monitoring and control bodies, giving these appropriate attention and analysis in the half-yearly reports to the Board of Directors, the Director in charge, the Control and Risks Committee and the Board of Statutory Auditors;
- the Control and Risks Committee periodically invites the main functions with second-level control responsibilities for company transactions to its meetings in order to obtain precise and direct information about risk management in the areas of responsibility;
- the Board of Statutory Auditors maintains regular communications with the Board of Directors and the Control and Risks Committee. Specifically, the Board of Statutory Auditors attended all the meetings of the Committee held during the year; the Board attended all the Committee meetings and referred to the Board on 23 February and 2 August 2017;
- the Supervisory Body can be invited to attend meetings of the Board of Directors and the Control and Risks Committee, reporting half-yearly on the activities carried out. Specifically, during the course of the year the Body attended all the meetings of the Committee and reported to the Board on 5 March and 30 July 2014;
- the independent auditor takes part in the meetings of the Control and Risks Committee so that it is constantly updated on the activities and the decisions of the Committee itself, as well as for the purpose of reporting on the planning and

outcome of audit activities. The independent auditor attended all the meetings of the Committee during the course of the year.

On 28 February 2018 the Board of Directors, in accordance with the provisions of Criterion 7.C.1 of the Code, has assessed the adequacy of the coordination between the parties involved in the Internal Control and Risk Management System.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

The Issuer has defined and adopted dedicated procedures for important transactions and related transactions, suitable to guarantee full and exhaustive information on these types of transactions for the Directors.

PROCEDURE FOR RELATED-PARTY TRANSACTIONS

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

On 16 December 2015 the Related-Party Procedure was subject, to certain amendments due to the Merger and was subsequently updated pursuant to Article 3.1 of the afore-mentioned Related-Parties Procedure and in accordance with paragraph 6.1 of the Implementing Communication, on 1 March 2017 and 2 August 2017. The Related-Party Procedure was lastly updated on 7 February 2018 since YNAP no longer qualifies as "low-size company", meaning, pursuant to Consob's Related-Party Regulation, companies whose balance sheet assets and revenues, as resulting from the most recent consolidated approved financial statements, do not exceed 500 million Euro (art. 3, lett. f) of Consob's Related-Party Regulation)..

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

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

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

The Related-party transactions Procedure has been communicated to all the Subsidiaries in accordance with Article 114, para.2 of the TUF. Pursuant to paragraph 5 of the Related-Parties Procedure, directors who have an interest in the transaction must inform the Board promptly and in full of the existence of that interest and of the related circumstances. The decision to have these directors leave the meeting during decisions on the transaction or to abstain from voting must be made on a case-by-case basis. If the director in question is the Chief Executive Director, he/she will not conclude the transaction. In such cases, the Board's resolutions must state adequate reasons and the benefit for the Issuer of entering into the transaction.

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

RELATED-PARTY TRANSACTIONS COMMITTEE

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

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

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

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

13. APPOINTMENT OF THE STATUTORY AUDITORS

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

Pursuant to Article 26 of the articles of association, the Board of Statutory Auditors comprises 3 (three) standing auditors and 2 (two) deputy auditors, fulfilling the gender balance requirement pursuant to Article 148, paragraph 1-*bis*, of the TUF, as introduced by Law no. 120 of 12 July 2011. The statutory auditors’ term is three years, expiring on the date of the General Meeting called to approve the financial statements of the last year of their term. Statutory auditors may be re-elected. Their remuneration is determined by the General Meeting upon their appointment for the entire duration of their term.

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

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

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

Shareholders who, at the presentation date, alone or together with other shareholders, hold an equity investment at least equal to that determined by Consob pursuant to Article 147-*ter*, paragraph 1, of the TUF, and in compliance with the Issuers’ Regulation, may present a list for the appointment of statutory auditors. In this regard, with Resolution 20273 of 24 January 2018, Consob set the equity investment required to present candidate lists for the election of the Issuer’s control body, with reference to the year ended 31 December 2016, at 1% of the share capital.

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

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

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

Furthermore, the lists contain, also in annexes:

- (i) information on the identities of the shareholders who submitted the lists, with an indication of the overall percentages of equity investments held; the ownership of the overall equity investment is confirmed, following the filing of the lists, according to the terms and procedures set out by the regulations, including existing *pro tempore* regulations;
- (ii) declaration of shareholders other than those that hold, also together, a controlling or relative majority equity investment, certifying the absence of relationships pursuant to Article 144-*quinquies* of the Issuers' Regulation approved by Resolution 11971 of 14 May 1999 as subsequently amended and supplemented;
- (iii) exhaustive information on the personal and professional characteristics of the candidates, as well as a declaration from these candidates certifying that they meet the requirements established by law, and accept the candidacy, along with a list of management and control positions held by them in other companies;
- (iv) any further or other declaration, information and/or document provided for by law and applicable regulations.

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

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

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

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

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

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

If only one list is presented, the Shareholders' Meeting votes on it, and if it obtains the relative majority of votes, without taking abstentions into account, all the candidates for the positions of standing and deputy auditor on the list are elected, in compliance with the rules governing gender representation in the bodies of listed companies pursuant to Law 120 of 12 July 2011. In this case, the Chairman of the Board of Statutory Auditors is the first standing auditor candidate.

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

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

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

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

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

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

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

Composition of the Board of Statutory Auditors

NAME	POSITION	YEAR OF BIRTH	IN OFFICE SINCE	IN OFFICE UNTIL	M/m LIST	INDEP. CODE	% B.A.	OTHER POSITIONS	% C.D.A	% C.R	% C.C.R
MARCO MARIA FUMAGALLI	CHAIRMAN	1961	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M	X	100	3	100	100	100
GIOVANNI NACCARATO	STANDING AUDITOR	1972	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M	X	100	0	66.7	N/A	66.7
PATRIZIA ARIENTI	STANDING AUDITOR	1960	30/04/2015 FIRST APPOINTED: 27/04/2012	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	-	X	100	1	100	N/A	83.3
NICOLETTA MARIA COLOMBO	DEPUTY AUDITOR	1964	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M	X	N/A	N/M	N/A	N/A	N/A
ANDREA BONECHI	DEPUTY AUDITOR	1968	30/04/2015 FIRST APPOINTED: 30/04/2015	APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS	M	X	N/A	N/M	N/A	N/A	N/A

KEY

Position: indicates whether Chairman, standing auditor or deputy auditor.

List: M/m, according to whether the auditor was elected from the majority (M) or minority (m) list.

Indep.: if the statutory auditor can be classified as independent according to the criteria set out by the Code, specifying at the foot of the table if these criteria can be supplemented or amended.

% B.A. shows the attendance, in percentage terms, of the statutory auditors at the Board of Statutory Auditors meetings (the number of meetings that the auditor attended compared to the number of meetings held during the year, or since the auditor took up office, is taken into account in the calculation).

Other positions: indicates the total number of positions of director or auditor covered by the person in question pursuant to Article 148-bis of the TUF. For information on other positions held by members of the Board of Statutory Auditors, see the information published by Consob pursuant to Article 144-quinquiesdecies of the Issuers' Regulation on the website www.sai.consob.it under *Corporate Bodies – Information for the public*. It is hereby recalled that the members of a single supervisory body of listed issuers or company with common financial instruments shall not be subject to the limits governing the accumulation of offices or to the related information obligations.

R.C. %: shows the attendance, in percentage terms, of the director at Compensation Committee meetings (the number of meetings that the director attended compared to the number of Compensation Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).

C.C.R.: C/M inserted to indicate Chairman/Member of Control and Risks Committee.

% C.C.R.: shows the attendance, in percentage terms, of the director at Control and Risks Committee meetings (the number of meetings that the director attended compared to the number of Control and Risks Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).

N/A.: not applicable.

N/M: not meaningful.

Diversity policies

As concerns corporate diversity policies applied in relation to the composition of the Board of Statutory Auditors in office (art. 123-bis, lett. d-bis), TUF), please note that: (i) the Board of Statutory Auditors is characterised by the age diversity of its members, taking into account that Statutory Board Member's age ranges from 46 to 57; (ii) the Company's Board of Statutory Auditors includes one Standing Auditor and one Alternate Auditor belonging to the less represented gender, in accordance with the legislation in the matter of gender balance; (iii) without prejudice to compliance with the professionalism requirements as laid down by the law, the training and professional experience of the members of the Board of Statutory Auditors currently in office assures the suitable competences to assure the due performance of the functions entrusted thereto.

Please finally note that, the Board of Directors currently in office will include in the explanatory reports drafted pursuant to art. 125-ter TUF, relating to the appointment of the Board of Directors and Board of Statutory Auditors by the Shareholders' meeting called to approve the financial statements as at 31 December 2017, some indications for shareholders – even pursuant

to criterion 1.C.1. lett. h) of the Corporate Governance Code – on the diversity policy in the composition of the Company's corporate bodies.

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

On average, the meetings lasted approximately one hour and forty minutes.

At least 4 (four) meetings of the Board of Statutory Auditors are scheduled for 2018 in addition to the meetings already held on 15 January and 6 March 2018.

At the meeting of 15 January 2018, the Board of Statutory Auditors assessed that its members met the requirements of independence, using to this end the criteria in the Code regarding directors' independence. The outcome of the assessment has been disclosed at the Board of Directors held on 28 February 2018.

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

As regards to initiatives aimed at providing the statutory auditors with adequate knowledge of the sector of activity in which the Company operates, the corporate dynamics and their development, the proper risk management principles, as well as the regulatory reference framework please see paragraph 4.2 of this Report.

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

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

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

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

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

- the Chairman and the person recording the minutes of the meeting are present in the place in which it is convened;
- all participants can be identified and can follow the discussion, receive, send and view documents and are able to contribute to the discussion of all agenda items in real time. Having verified these requirements, the Board of Statutory Auditors' meeting is considered to have taken place in the location of the Chairman and the person recording the minutes of the meeting.

15. RELATIONS WITH SHAREHOLDERS

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

Specifically, this website makes available all press releases issued to the market, the periodic accounting documents of the Issuer as soon as they are approved by the management bodies (annual financial report, half-year financial report and interim trading statements), the main documents relating to Corporate Governance, the Organisational Model pursuant to Legislative Decree 231/2001 and the Code of Ethics may also be viewed on the same website.

Pursuant to article 2.2.3, paragraph 3, letter i) of the Stock Exchange Regulation, on 29 October 2009, the board appointed Silvia Scagnelli Head of the Investor Relations department (contact: investor.relations@ynap.com), to manage relations with shareholders and institutional investors, and possibly carry out specific duties relating to the management of price-sensitive information and relations with Consob and Borsa Italiana.

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

16. GENERAL MEETINGS AND SHAREHOLDERS' RIGHTS

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

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

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

Pursuant to Article 6 of the articles of association, the Ordinary General Meeting to approve the financial statements must be convened within 120 days of the end of the fiscal year, or, in cases set out in Article 2364, paragraph 2, of the Civil Code, within 180 days of the end of the fiscal year, without prejudice to the provisions of Article 154-ter, of the TUF. Extraordinary General Meetings are called in all cases provided for by law.

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

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

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

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

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

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

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

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

The right to withdraw may only be exercised within the limits and according to the provisions dictated by binding legal provisions, and pursuant to Article 3 of the articles of association, is in any case excluded if the Company's duration is extended. Under Article 5, paragraph 3 of the articles of association, if resolutions are passed to introduce or remove restrictions on the circulation of shares, even shareholders who did not vote for this resolution will not have the right to withdraw.

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

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

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

During the year, 1 (one) General Meeting was held on 21 April 2017 (attended by 5 (five) directors). During such General meeting, the Board reported on activity carried out and planned and arranged to supply the shareholders appropriate information to inform them of the decisions taken under the remit of the General Meeting.

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

At the meeting held on 28 February 2018, in accordance with Criterion 9.C.4 of the Code, not having occurred during the year 2017 significant variations in the market capitalisation of the Company or in the composition of its corporate structure, the Board did not consider it necessary to propose to the General Meeting any changes to the articles of association in relation to the percentages established for the year of the privileges put in place to protect minority shareholders – in application of Article 144-quater of the Issuers' Regulation for the presentation of lists for the appointment of members to the Board of Directors and Board of Statutory Auditors – Articles 14 and 26 of the Issuer's articles of association require an equity investment at least equal to that determined by the Consob pursuant to the laws and regulations. In this regard, with Resolution 20273 of 24 January 2018, Consob set the equity investment required to present candidate lists for the election of the Issuer's management body, with reference to the year ended 31 December 2017, at 1% of the share capital.

17. FURTHER CORPORATE GOVERNANCE PRACTICES

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

18. CHANGES SINCE THE END OF THE TAX YEAR

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

19. CONSIDERATIONS ON THE LETTER OF 13 DECEMBER 2017 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The letter of 13 December 2017 addressed by the Chairman of the Corporate Governance Committee to the Chairmen of the Boards of Directors of Italian listed companies was brought to the attention of the Issuer's Board of Directors in the meeting of 6 March 2018 (as well as of the Compensation Committee and of the Appointment Committee in the meetings respectively held on 28 February 2018 and 6 March 2018). The Board acknowledged the analyses and recommendations set out in the letter and found an overall adequacy of the Company in respect of the indications relating to the quality of pre-board disclosure (see Section 4.3 of this Report), remuneration policies (see the compensations report prepared pursuant to art. 123-ter of the TUF), the set up and functions of the appointments' committee (see Section 7 of this Report), the quality of independent directors (see Section 4.6 of this Report), the content of the board review (see Section 4.3 of this Report), as well as succession plans (see Section 4.1 of this Report).

Milan, 28 February 2018
Updated on 6 March 2018
For the Board of Directors

Chairman of the Board of Directors
Raffaello Napoleone

YOOX
NET-A-PORTER
GROUP

DIRECTORS' REPORT

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DIRECTORS' REPORT

REFERENCE MARKET

In 2017 and across the main geographic markets, the *online personal luxury*⁸ market performed considerably better than the luxury market sales through physical channels, increasing its significance in terms of online penetration rate compared to the total market of personal luxury goods.

Forrester Research⁹ estimates that sales made in 2017 in the global online personal luxury market amounted to roughly Euro 22 billion, an increase of approximately 15%, at constant exchanges, compared to 2016.

Specifically, in 2017, the online personal luxury market in Europe accounted for approximately 21% of the total, with a growth of approximately 12%, at constant exchange rates, compared with the previous year and with expected CAGR (Compound Annual Growth Rate) for 2017-2022 of 10%.

In 2017, North America accounted for 32% of the global online personal luxury market, an increase of approximately 11%, at constant exchange rates, compared with the previous year and with a forecasted CAGR for 2017-2022 of almost 9%.

Finally, the Asia-Pacific area, which in 2017 accounted for 43% of the global online personal luxury market, achieved a growth of almost 19% at constant exchange rates, with a forecasted CAGR for 2017-2022 of approximately 17%.

There are many reasons for the growth of the global online personal luxury market including: the increasingly wide range of products available on the internet, due to a greater tendency for brands to use the online channel, the growing use of e-commerce by consumers for making purchases – partly due to the rapid, widespread use of mobile phones and social commerce – as well as the search for the most favourable purchasing conditions. This is in addition to the progressive popularity of the omni-channel, improving and enriching customer service, while ensuring a continually more integrated and coherent experience between the physical and the online channels. It is in fact estimated that in 2017 60% of the total sales in the luxury sector were from the online channel¹⁰.

As proof of the new generation of luxury consumers, comprising more and more “digital natives” and the increasing importance of e-commerce, 2017 once again posted an increase in annual online sales per user, compared to the preceding year.

The 2017 has also confirmed the increasing strategic importance of the channel for fashion and luxury brands, for which e-commerce and the omni-channel are instruments that increase the visibility and the availability of collections on a global level, maximising inventory management and establishing a more and more direct relation with customers through the sales channels. This has meant that more companies than ever have invested in improvements to shopping and user experience, online contents and strategic channels to support online sales in the long term, such as social networking, mobile commerce and omni-channels.

INTRODUCTION

During the course of 2017 the Group's sales continued to grow, in all major benchmark markets and in all business lines in which it operates. The number of active customers, the number of visits and the number of orders have also increased.

⁸ The online personal luxury goods market includes clothing, shoes and bags, accessories, beauty, jewellery and watches.

⁹ Calculations based on Forrester Research data - “Luxury retail forecast, 2017 to 2022 (Global), Forrester Research Inc., January 2018”. The figures, originally expressed in USD and at average exchange rates for 2016, were converted into euros at the average EUR/USD exchange rate for 2016 (1.107).

¹⁰ “True-Luxury Global Consumer Insight”, BCG - Fondazione Altagamma, 20 February 2018

MULTI-BRAND IN-SEASON BUSINESS LINE

The Multi-brand in-season business of the Group involves two online stores¹¹:

- NET-A-PORTER, launched in 2000, has become the world's premier online luxury fashion destination for content and commerce. A true innovator, NET-A-PORTER is renowned for its unparalleled editorial content and is a leading destination for the world's most coveted designer brands;
- MR PORTER, launched in 2011, has established itself as the award-winning global retail destination for men's style, combining an unparalleled product offering from the world's best menswear brands, watchmakers and specialist grooming brands.

MULTI-BRAND OFF-SEASON BUSINESS LINE

The Multi-brand off-season business of the Group involves two online stores:

- YOOX established in 2000, is the world's leading online lifestyle store for fashion, design & art, offering an extensive assortment of hard-to-find clothing and accessories for men and women from the world's most prestigious designers, as well as a unique selection of home design objects, exclusive collaborations with internationally-renowned artists, socially and environmentally responsible brands and kidswear;
- THE OUTNET, launched in 2009, is where to find everything reduced but the thrill. It has grown to be the go-to destination for the style-conscious shopper looking for the best designer products at great prices.

ONLINE FLAGSHIP STORES BUSINESS LINE

YOOX NET-A-PORTER GROUP is also the e-commerce partner of choice for leading fashion & luxury brands, designing and managing ONLINE FLAGSHIP STORES, offering their latest collection on the Internet. With over 18 years of experience in global luxury e-commerce, YOOX NET-A-PORTER GROUP offers brand partners a wide range of services, including creating and developing the creative concept, innovative interface design, state-of-the-art technology and R&D, high-precision global customer logistics, unrivalled customer care, international web marketing and e-commerce strategy development.

Through a joint venture established in 2012, YOOX NET-A-PORTER GROUP partners with Kering to manage the Online Flagship Stores of several of the French Group's luxury brands: Bottega Veneta, Saint Laurent, Alexander McQueen, Balenciaga, Stella McCartney, McQ and Brioni.

At 31 December 2017, the following ONLINE FLAGSHIP STORES were active. Specifically:

- marni.com, the online flagship store of the Marni brand, operational since September 2006, and now active mainly in Europe, the US and Japan;
- emporiorarmani.com, the online flagship store of the Emporio Armani brand, operational since August 2007, and now active mainly in Europe, the US and Japan;
- stoneisland.com, the online flagship store of the Stone Island brand, operational since March 2008 and now active mainly in Europe, the US and Japan;
- valentino.com, the online flagship store of the Valentino brand, operational since April 2008 and now active mainly in Europe, the US, Japan and China;
- emiliopucci.com, the online flagship store of the Emilio Pucci brand, operational since November 2008, and now active mainly in Europe, the US and Japan;

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

YOOX NET-A-PORTER GROUP

- moschino.com, the online flagship store of the Moschino, Love Moschino and MoschinoCheapAndChic brands, operational since February 2009 and now active mainly in Europe, the US and Japan;
- dsquared2.com, the online flagship store of the Dsquared2 brand, operational since September 2009, and now active mainly in Europe, the US, and Japan;
- jilsander.com, the online flagship store of the Jil Sander and Jil Sander Navy brands, operational since September 2009 and now active mainly in Europe, the US, Japan and China;
- justcavalli.com, the online flagship store of the Just Cavalli brand, operational since February 2011, and now active mainly in Europe, the US and Japan;
- store.y-3.com, the online flagship store of the Y-3 brand, operational since March 2011, and now active mainly in Europe, the US and Japan;
- napapijri.com, the online flagship store of the Napapijri brand, operational since March 2010 and now active mainly in Europe, the US, and Japan;
- albertaferretti.com, the online flagship store of the Alberta Ferretti and Philosophy di Lorenzo Serafini brands, operational since March 2010 and now active mainly in Europe, the US and Japan;
- maisonmargiela.com, the online flagship store of the Maison Margiela brand, operational since October 2010, and now active mainly in Europe, the US and Japan;
- moncler.com, the online flagship store of the Moncler brand, operational since September 2011, and now active mainly in Europe, the US, Japan and China;
- armani.com, the online flagship store of the Giorgio Armani, Armani Collezioni, Armani Exchange, Armani Junior, EA7, Emporio Armani and Armani Jeans brands, operational since October 2011, and now active mainly in Europe, the US and Japan;
- pomellato.com, the online flagship store of the Pomellato brand, operational since May 2012, and now active mainly in Europe, the US and Japan;
- alexanderwang.com, the online flagship store of the Alexander Wang and T by Alexander Wang brands, operational since May 2012 and now active mainly in the Asia-Pacific area countries including China, Hong Kong and Japan, in Europe and the US;
- missoni.com, the online flagship store of the Missoni brand, operational since March 2013, and now active mainly in Europe, the US and Japan;
- dodo.it, the online flagship store of the Dodo brand, operational since May 2013, and now active mainly in Europe, the US and Japan;
- kartell.com, the online flagship store of the Kartell brand, operational since May 2014 in Europe;
- redvalentino.com, the online flagship store of the Red Valentino brand, operational since November 2014, and now active mainly in Europe, the US, Japan and China;
- lanvin.com, the online flagship store of the Lanvin brand, operational since February 2015, and now active mainly in Europe, the US, Japan and China;
- karl.com, the online flagship store of the Karl Lagerfeld branch, operational since October 2015, and now active mainly in Europe, the US and Asia Pacific;

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- dunhill.com, the online flagship store of the Alfred Dunhill brand, operational since February 2016, and now active mainly in Europe, the US, Japan and China;
- chloe.com, the online flagship store of the Chloé brand, operational since June 2016, and now active mainly in Europe, the US, Japan and China;
- isabelmarant.com, the online flagship store of the Isabel Marant brand, operational since June 2017, and now active mainly in Europe, the US and Japan;
- bottegaveneta.com, the online flagship store of the Bottega Veneta brand, managed by the joint venture between Kering and YOOX NET-A-PORTER GROUP. The online flagship store was launched November 2012 and is now active mainly in Europe, the US and Japan;
- stellamccartney.com, the online flagship store of the Stella McCartney brand, managed by the joint venture between Kering and YOOX NET-A-PORTER GROUP. The online flagship store was launched December 2012 and is now active mainly in Europe, the US, Japan and China;
- alexandermcqueen.com, the online flagship store of the Alexander McQueen brand, managed by the joint venture between Kering and YOOX NET-A-PORTER GROUP. The online flagship store was launched in May 2013, and is now active mainly in Europe, the US, Japan and China;
- balenciaga.com, the online flagship store of the Balenciaga brand, managed by the joint venture between Kering and YOOX NET-A-PORTER GROUP. The online flagship store was launched in May 2013, and is now active mainly in Europe, the US, Japan and China;
- ysl.com, the online flagship store of the Saint Laurent brand, managed by the joint venture between Kering and YOOX NET-A-PORTER GROUP. The online flagship store was launched in June 2013 and is now active mainly in Europe, the US and Japan;
- brioni.com, the online flagship store of the Brioni brand, managed by the joint venture between Kering and YOOX NET-A-PORTER GROUP. The online flagship store was launched in November 2013, and is now active mainly in Europe, the US, Japan and China;
- mcq.com, the online flagship store of McQ, the Alexander McQueen contemporary line, managed by the joint venture between Kering and YOOX NET-A-PORTER GROUP. The online flagship store was launched in April 2015 and is now active mainly in Europe, the US, Japan and China.

REVENUES AND PROFITABILITY

METHODOLOGY NOTE AND COMPARATIVE ANALYSIS OF INFORMATION WITH RESPECT TO THE PREVIOUS YEAR

This Directors' Report contains information relating to the revenues, profitability and financial position of the YOOX NET-A-PORTER GROUP as at 31 December 2017.

To facilitate the comparative analysis, this Directors' Report contains information regarding revenues, profits and certain business indicators of the YOOX NET-A-PORTER GROUP at 31 December 2017, compared with the corresponding data as at 31 December 2016.

It should be noted that possible differences that may be found in some tables are due to rounding off amounts expressed in thousands of euro. The Parent Company YOOX NET-A-PORTER GROUP S.p.A. is referred to by its full name or simply as the Company; the Group reporting directly to it appears as YOOX NET-A-PORTER GROUP or simply as the Group; when notes refer to subsidiaries, full company names are used.

All subsidiaries of YOOX NET-A-PORTER GROUP S.p.A. operate in the Group's business sector, or in any event, perform activities that are consistent with those of the Group.

Unless otherwise indicated, all amounts are expressed in thousands of Euro.

ACCOUNTING POLICIES

The annual financial report as at 31 December 2017 has been compiled in accordance with Article 154-ter, paragraph 5 of Legislative Decree 58/98 (TUF) as amended and supplemented, and in compliance with Article 2.2.3 of the Stock Exchange Regulation.

The accounting policies, the consolidation policies and the measurement criteria used in preparing the Annual Report as at 31 December 2017 are consistent with those used to draw up the Annual Report as at 31 December 2016, which is available on the www.ynap.com website, in the "Investor Relations" section.

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

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

The income statements for the Group, presented in the following pages of the current Directors' Report, have been reclassified in a way deemed by management to be useful for reporting interim indicators of profitability such as gross profit, EBITDA Pre Corporate Costs, EBITDA, EBITDA excluding incentive plan costs, operating profit and net income excluding incentive plan costs and PPA. 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.

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Below is the reclassified consolidated income statement for the second half of 2017 compared with the reclassified income statement for the second half of 2016:

THOUSANDS OF EUROS	2ND HALF OF 2017	2ND HALF OF 2016	CHANGE	
CONSOLIDATED NET REVENUES	1,056,934	973,622	83,312	8.6%
COST OF GOODS SOLD	(665,406)	(596,084)	(69,321)	11.6%
GROSS PROFIT ¹²	391,528	377,538	13,990	3.7%
% of consolidated net revenues	37.0%	38.8%	-	-
FULFILMENT COSTS	(104,814)	(92,857)	(11,958)	12.9%
SALES AND MARKETING COSTS	(131,578)	(123,271)	(8,307)	6.7%
EBITDA PRE CORPORATE COSTS ¹³	155,135	161,410	(6,275)	-3.9%
% of consolidated net revenues	14.7%	16.6%	-	-
GENERAL EXPENSES	(84,943)	(78,880)	(6,063)	7.7%
INCENTIVE PLAN COSTS	(6,204)	(6,436)	232	-3.6%
OTHER INCOME AND EXPENSES	1,059	(3,344)	4,404	>100%
EBITDA ¹⁴	65,047	72,749	(7,702)	-10.6%
% of consolidated net revenues	6.2%	7.5%	-	-
DEPRECIATION AND AMORTISATION	(58,341)	(49,548)	(8,793)	17.7%
NON-RECURRING EXPENSES	-	-	-	-
OPERATING PROFIT	6,706	23,202	(16,496)	-71.1%
% of consolidated net revenues	0.6%	2.4%	-	-
INCOME FROM EQUITY INVESTMENTS	223	132	91	69.2%
FINANCIAL INCOME	6,938	28,179	(21,241)	-75.4%
FINANCIAL EXPENSES	(18,482)	(31,216)	12,734	-40.8%
PROFIT BEFORE TAX	(4,614)	20,297	(24,911)	>100%
% of consolidated net revenues	-0.4%	2.1%	-	-
TAXES	1,290	(5,202)	6,492	>100%
CONSOLIDATED NET INCOME FOR THE PERIOD	(3,325)	15,095	(18,419)	>100%
% of consolidated net revenues	-0.3%	1.6%	-	-
EBITDA EXCLUDING INCENTIVE PLAN COSTS ¹⁵	71,251	79,186	(7,935)	-10.0%
% of consolidated net revenues	6.7%	8.1%	-	-
NET INCOME EXCLUDING INCENTIVE PLANS AND PPA ¹⁶	13,184	32,250	(19,066)	-59.1%
% of consolidated net revenues	1.2%	3.3%	-	-

¹² Gross profit is net income before fulfilment costs, sales and marketing costs, general expenses, other income and expenses, depreciation and amortisation, non-recurring expenses, income/loss from equity investments, financial income and expenses and income taxes. Since Gross Profit is not recognised as an

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In the second half of 2017, the Group's consolidated net revenues stood at Euro 1,056,934 thousand, an increase of 8.6% compared with Euro 973,622 thousand for the second half of 2016.

EBITDA stood at Euro 65,047 thousand in the second half of 2017, a decrease of 10.6% compared with the second half of 2016 (Euro 72,749 thousand), with a margin of 6.2% compared with 7.5% for the same period of the previous year.

EBITDA excluding the incentive plans stood at Euro 71,251 thousand, decreasing by 10.0% compared with Euro 79,186 thousand obtained in the second half of 2016 with a net profit margin of 6.7% compared with +8.1% for the same period of the previous year.

Consolidated net income was negative at Euro 3,325 thousand compared to a profit of Euro 15,095 thousand in the second half of 2016 with a margin of -0.3% compared to 1.6% in the same period of the previous year. Excluding the non-cash costs relating to the incentive plans, and the amortisation of intangible assets recognised following the Purchase Price Allocation process, both net of their related tax effects, net income excluding incentive plans and PPA was Euro 13,184 thousand, compared with Euro 32,250 thousand in the second half of 2016.

accounting measure under the IFRS endorsed by the European Union, its calculation might not be standard, and the measurement criterion adopted by the Group might not be consistent with that used by other groups, and accordingly, the resulting figure may not be comparable.

¹³ EBITDA Pre Corporate Costs is defined as net income before general expenses, other income and expenses, depreciation and amortisation, non-recurring expenses, income/loss from equity investments, financial income and expenses and income taxes. Since EBITDA Pre Corporate Costs is not recognised as an accounting measure under the IFRS endorsed by the European Union, its calculation might not be standard, and the measurement criterion adopted by the Group might not be consistent with that used by other groups, and accordingly, the resulting figure may not be comparable.

¹⁴ EBITDA is net income before depreciation and amortisation, non-recurring expenses, income/loss from equity investments, financial income and expenses and income taxes. Since EBITDA is not recognised as an accounting measure under the IFRS endorsed by the European Union, its calculation might not be standard. Group management uses EBITDA to monitor and measure the Group's performance. Management believes that EBITDA is an important measure of operating performance in that it is not affected by the various criteria used to calculate taxes, the amount and characteristics of invested capital and the related amortisation and depreciation methods. The criterion used by the Group to calculate EBITDA might not be consistent with that adopted by other groups, and accordingly, the resulting figure may not be comparable with those calculated by such groups.

¹⁵ EBITDA excluding Incentive Plan Costs is defined as EBITDA excluding of costs relating to the Stock Option Plans, described in the 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.

¹⁶ Net income excluding Incentive Plans and PPA is defined as consolidated net income for the period excluding non-cash costs relating to the Stock Option Plans and excluding the amortisation of intangible assets recognised following the Purchase Price Allocation Process, both net of the related tax effects.

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The following shows the reclassified consolidated income statement for the year 2017 compared to the income statement for the year 2016:

THOUSANDS OF EUROS	31 DEC 2017	31 DEC 2016	CHANGE	
CONSOLIDATED NET REVENUES	2,091,040	1,870,660	220,379	11.8%
COST OF GOODS SOLD	(1,285,010)	(1,138,238)	(146,772)	12.9%
GROSS PROFIT	806,030	732,422	73,607	10.0%
% of consolidated net revenues	38.5%	39.2%	-	-
FULFILMENT COSTS	(204,734)	(181,358)	(23,376)	12.9%
SALES AND MARKETING COSTS	(255,999)	(229,307)	(26,692)	11.6%
EBITDA PRE CORPORATE COSTS	345,297	321,757	23,540	7.3%
% of consolidated net revenues	16.5%	17.2%	-	-
GENERAL EXPENSES	(172,470)	(159,915)	(12,556)	7.9%
INCENTIVE PLANS	(12,759)	(12,351)	(408)	3.3%
OTHER INCOME AND EXPENSES	(3,579)	(6,139)	2,560	-41.7%
EBITDA	156,488	143,352	13,136	9.2%
% of consolidated net revenues	7.5%	7.7%	-	-
DEPRECIATION AND AMORTISATION	(110,468)	(91,169)	(19,299)	21.2%
NON-RECURRING EXPENSES	-	-	-	-
OPERATING PROFIT	46,021	52,183	(6,163)	-11.8%
% of consolidated net revenues	2.2%	2.8%	-	-
INCOME FROM EQUITY INVESTMENTS	262	371	(109)	-29.4%
FINANCIAL INCOME	14,852	41,108	(26,256)	-63.9%
FINANCIAL EXPENSES	(36,371)	(45,168)	8,797	-19.5%
PROFIT BEFORE TAX	24,764	48,495	(23,731)	-48.9%
% of consolidated net revenues	1.2%	2.6%	-	-
TAXES	(7,503)	(14,565)	7,062	-48.5%
CONSOLIDATED NET INCOME FOR THE PERIOD	17,261	33,930	(16,669)	-49.1%
% of consolidated net revenues	0.8%	1.8%	-	-
EBITDA EXCLUDING INCENTIVE PLAN COSTS	169,247	155,703	13,544	8.7%
% of consolidated net revenues	8.1%	8.3%	-	-
NET INCOME EXCLUDING INCENTIVE PLAN COSTS AND PPA	51,225	69,276	(18,051)	-26.1%
% of consolidated net revenues	2.4%	3.7%	-	-

In 2017 the YOOX NET-A-PORTER GROUP recorded consolidated net revenues, excluding sales returns and discounts to customers, equal to Euro 2,091,040 thousand, an increase of 11.8% compared with the figure of Euro 1,870,660 thousand as at 31 December 2016.

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EBITDA stood at Euro 156,488 thousand at 31 December 2017 compared with Euro 143,352 thousand at 31 December 2016. The EBITDA margin changed from 7.7% of net revenues in 2016 to 7.5% in 2017. Excluding the non-cash costs relating to the incentive plans, equal to Euro 12,759 thousand, EBITDA stood at Euro 169,247 thousand (+8.7% compared with the same period in 2016), with a margin on sales of 8.1% compared with 8.3% in the previous year. This result is due to a decrease of the Gross Profit which was only partially offset by the operating leverage on overhead costs. In particular, the gross profit performance was mainly attributable to the adverse exchange rate movements against the Euro, coupled with a higher incidence of net shipping costs and a lower contribution from Not Country Related revenues.

Consolidated net income stood at Euro 17,261 thousand compared with Euro 33,930 thousand at 31 December 2016 with a margin of 0.8% compared with 1.8% in 2016. Excluding the non-cash costs relating to the incentive plans and the amortisation of intangible assets recognised following the Purchase Price Allocation process, both net of the related tax effect, net income excluding incentive plan costs and PPA was Euro 51,225 thousand, compared with Euro 69,276 thousand in 2016. This performance is mainly attributable to a significant increase in net financial charges, due to mainly exchange rate losses, both realized and unrealized, and also a higher percentage of ordinary amortization/depreciation attributable to higher capital investments.

The table below shows several key indicators¹⁷ relating to the Group's activities (compared with the same indicators in 2016):

	31 DEC 2017	31 DEC 2016
NUMBER OF VISITS ¹⁸ (MILLIONS)	842	715
NUMBER OF ORDERS (THOUSANDS)	9,501	8,361
AOV ¹⁹ (EUROS)	328	334
NUMBER OF ACTIVE CUSTOMERS ²⁰ (THOUSANDS)	3,131	2,922

In 2017, YOOX NET-A-PORTER GROUP's online stores attracted 842,2 million visits compared with 715,5 million in 2016. The number of orders also rose to 9.5 million, 13.6% over the previous year, with an Average Order Value (AOV), excluding VAT, of Euro 328 compared with Euro 334 in 2016, mainly due to unfavourable exchange rate movements. There was also an increase in the number of active customers, which stood at 3.1 million as at 31 December 2017, compared with 2.9 million as at 31 December 2016.

¹⁷ The business metrics refer to proprietary Multi-brand online stores, NET-A-PORTER.COM, MR PORTER.COM, THECORNER.COM, SHOESCRIBE.COM, YOOX.COM, THE OUTNET.COM and online flagship store "Powered by YOOX NET-A-PORTER GROUP". The business metrics related to the joint venture with Kering and the jimmychoo.com online store are excluded.

¹⁸ Source: Adobe Analytics for NET-A-PORTER, MR PORTER and THE OUTNET; Google Analytics Premium for YOOX, THECORNER, SHOESCRIBE and the Online Flagship Stores "Powered by YOOX NET-A-PORTER GROUP".

¹⁹ Average Order Value or AOV, excluding VAT, indicates the average value of each purchase order.

²⁰ An Active Customer is defined as a customer who placed at least one order during the 12 preceding months.

ANALYSIS OF NET REVENUES BY BUSINESS LINE

The Group's net revenues by business line are reported below as at 31 December and for the fourth quarter of 2017 compared with Group net revenues as at 31 December and the fourth quarter of 2016.

Thousands of Euros	31/12/17		31/12/16		Change		Growth at const. FX	Organic ²¹
MULTI-BRAND IN-SEASON	1,083,911	51.8%	968,568	51.8%	115,344	11.9%	15.8%	18.3%
MULTI-BRAND OFF-SEASON	789,633	37.8%	696,765	37.2%	92,868	13.3%	14.9%	14.9%
ONLINE FLAGSHIP STORES	217,496	10.4%	205,327	11.0%	12,169	5.9%	8.5%	20.7% ²²
TOTAL YOOX NET-A-PORTER-GROUP	2,091,040	100.0%	1,870,660	100.0%	220,380	11.8%	14.6%	16.9%

In 2017, the Group posted consolidated net revenues, net of returns and customer discounts, of Euro 2,091,040 thousand, up 11.8% from Euro 1,870,660 thousand for 2016. Organic growth was 16.9%.

Thousands of Euros	4Q 2017		4Q 2016		Change		Growth at const. FX	Organic
MULTI-BRAND IN-SEASON	295,054	51.3%	263,364	48.9%	31,691	12.0%	16.8%	17.0%
MULTI-BRAND OFF-SEASON	204,356	35.5%	200,555	37.3%	3,801	1.9%	6.6%	6.6%
ONLINE FLAGSHIP STORES	75,678	13.2%	74,261	13.8%	1,417	1.9%	5.9%	21.7%
TOTAL YOOX NET-A-PORTER-GROUP	575,088	100.0%	538,180	100.0%	36,908	6.9%	11.5%	13.2%

In the fourth quarter, net revenues stood at Euro 575,088 thousand, an increase of 6.9% compared with Euro 538,180 thousand for the fourth quarter of 2016. Organic growth was 13.2%.

Multi-brand In-Season

In 2017, the Multi-brand In-Season, which includes the activity of the online NET A PORTER shops and MR PORTER, recorded net consolidated revenues of Euro 1,083,911 thousand, with organic growth of 18.3%. Including the performance of THE CORNER e SHOESCRIBE - which closed on 31 August 2016 -the Multi-Brand In-Season business line had growth of 15.8% at constant exchange rates and 2017 (+ 11.9% reported), as compared to net revenues of Euro 968,568 thousand in 2016.

In the fourth quarter of 2017, the Multi-brand In-Season had net revenues of Euro 295,054 thousand, an increase of 16.8% at constant exchange rates (+ 12% reported) compared to net revenues of Euro 263,364 thousand in the same period of the previous year.

In 2017, NET-A-PORTER e MR PORTER further enriched their unique portfolio of the most coveted and prestigious luxury brands in the world with new key fashion and hard luxury brands and exclusive capsule collections. Among these, Alaïa, who chose NET-A-PORTER as his own exclusive retail partner online for the ready-to-wear, and the exclusive capsule collection MR PORTER X GUCCI; Chloë and Stella McCartney capsule collections. The Fine Jewellery and Watches category welcomed the launch of key iconic brands, including Cartier, Boucheron, Buccellati, Chopard, Jaeger-LeCoultre, Officine Panerai and TAG Heuer.

In the fourth quarter of 2017 MR PORTER also launched its own brand, Mr. P, which was very well received by customers and registered strong sales results. Indeed, Mr. P has been one of the most successful brand launches on MR PORTER since its inception.

In the fourth quarter of the year, the innovative personal shopping service "you try, we wait" dedicated to high spending customers of NET-A-PORTER and MR PORTER, was launched in New York and Hong Kong, on the leverage of its success with the preceding launch that took place in London.

²¹ The organic growth of net revenues is calculated at constant exchange rates on an equivalent basis including the net revenues of all online stores that were active at the end of each period, and that were active at the beginning of the corresponding period of the previous year. The reported increase is calculated at current exchange rates on the basis of the actual scope of consolidation.

²² Growth was related to revenues at retail value (GMV), at constant exchange rates on an equivalent basis.

Overall, as at 31 December 2017, the Multi-Brand In-Season business line accounted for 51.8% of the Group's consolidated net revenues.

Multi-brand Off-Season

In 2017, the Multi-Brand Off-Season, which includes the activities of the online shops YOOX and THE OUTNET, had net revenues of 789,633 thousand, up at 14.9% at constant exchange rates (+ 13.3% reported), compared to net revenues of Euro 696,765 thousand. In the fourth quarter, the consolidated net revenue of the Multi-Brand Off-Season business line was equal to Euro 204,356 thousand, up by 6.6% at constant exchange rates (+ 1.9% reported) compared to net revenues of Euro 200,555 thousand in the same period of the previous year. This result was achieved thanks to the solid performance of YOOX, partially offset by the one-off effect due to a temporary lower product availability on THE OUTNET upon migration.

During the year, YOOX and THE OUTNET continue to enrich their respective portfolios, with considerable progress. Versace and Sergio Rossi made their debut on YOOX in the fourth quarter, while Altuzarra and Tabitha Simmons were among the most significant new names on THE OUTNET. Iris & Ink, THE OUTNET's own private label, also strengthened its own assortment with a launch of activewear and beachwear.

In 2017, YOOX launched numerous marketing campaigns aimed at increasing awareness and the level of engagement of its clients in key markets such as Italy, Hong Kong and Japan. These campaigns were characterized by an omni-channel media mix, comprising traditional channels, digital channels and social all out of Home Advertising, radio, cinema and TV. The initiatives were extremely successful and contributed significantly to increasing visits to YOOX, which indeed experienced an increase in its traffic that exceeded that of the rest of the Group.

YOOX's performance moreover benefited from the excellent launch of the sales of the joint venture of the group with Alabbar in the Middle East, which took place in the fourth quarter of the year, following the opening of a new office and a logistics centre locally.

Overall, as at 31 December 2017, the Multi-Brand Off-Season business line accounted for 37.8% of the Group's consolidated net revenues.

Online Flagship Stores

The Online Flagship Stores business line includes the design, creation, set-up and management of the Online Flagship Stores of some of the leading global luxury fashion brands, from armani.com to chloe.com.

In 2017, the gross merchandise value ("GMV") of this business line increased by 20.7% organically. Considering the net negative perimeter due to the closures, the Online Flagship Stores business lines had net revenues of Euro 217,496 thousand, up 8.5% at constant exchange rates (+ 5.9% reported), compared to net revenues of Euro 205,003 to 27 thousand in 2016. In the fourth quarter of 2017, this business line had grossed merchandise value of 21.7% organically, and net consolidated revenues of Euro 75,678 thousand up 5.9% at constant exchange rates (+1.9% reported). This result was achieved despite the extremely challenging comparison (the GMV of the Online Flagship Stores had accelerated to 34.6% in QIV 2016, compared to 25.7% in QIII), thanks to the excellent outcome of the joint venture with Kering and the rest of the mono-brand portfolio.

In 2017 the Online Flagship Stores business line further strengthened its relations with the main luxury designers.

In particular, YNAP and Valentino began a partnership for the launch of the new omni-channel business model of YNAP, NEXT ERA. Once launched, NEXT ERA will allow Brands to offer new, quicker delivery options and an unprecedented online assortment of products, on the leverage of the Brands that are available through YNAP's global logistics network, the brands' brick and mortar boutiques and the logistics centres of the brands, thereby creating a "single view of the inventory". NEXT ERA will also allow the Brands to compile a complete profile of their customer base and an integrated view of the interactions in store and on line, thus allowing them to continually improve the shopping experience, whether in store or online, as well as the marketing and the service, to create a "single view of the customer".

In July 2017, YNAP rolled out the first step of NEXT ERA, initially in the United States, and will subsequently allow Valentino to achieve unified view of its inventory.

Moreover, in July a multi-year global agreement was signed with Ferrari S.p.A. for the set-up and management of the new Ferrari Online Flagship Store; which already has a well-established consolidated customer base and a sizeable ecommerce business. The launch is planned during 2018.

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In June, the new Online Flagship Store of Isabel Marant was launched in Europe, the United States and Asia-Pacific region, including China.

The already existing partnerships with Armani and Chloé were extended further during the year: in particular, the brand AIX Armani Exchange, which was initially only available in North America, was extended to cover Europe as well, while the See By Chloé line was added to chloe.com.

Finally, the Group made already existing omni-channel functionalities available to numerous Online Flagship Stores belonging to the Group.

Overall, as at 31 December 2017, the Online Flagship Stores business line accounted for 10.4% of the Group's consolidated net revenues.

CONSOLIDATED NET REVENUES BY GEOGRAPHICAL AREA

Below are the Group's consolidated net revenues by geographical area for the year and for the fourth quarter of 2017, compared, respectively, with the Group's net revenues as at 31 December and the fourth quarter of 2016:

Thousands of Euros	31/12/2017		31/12/2016		Change		Growth at const. FX
Italy	142,554	6.8%	124,783	6.7%	17,771	14.2%	14.3%
United Kingdom	286,803	13.7%	269,935	14.4%	16,868	6.2%	13.7%
Europe (excluding Italy and the United Kingdom)	548,574	26.2%	488,075	26.1%	60,499	12.4%	12.0%
North America	632,206	30.3%	573,903	30.7%	58,302	10.2%	12.8%
Asia-Pacific	355,779	17.0%	302,287	16.2%	53,492	17.7%	22.2%
Other Countries and Not-country related revenues	125,125	6.0%	111,677	6.0%	13,448	12.0%	18.2%
TOTAL YOOX NET-A-PORTER-GROUP	2,091,040	100%	1,870,660	100%	220,380	11.8%	14.6%

Thousands of Euros	4Q 2017		4Q 2016		Change		Growth at const. FX
Italy	44,044	7.7 %	37,410	7.0%	6,634	17.7%	17.7%
United Kingdom	84,514	14.7%	78,219	14.5%	6,295	8.0%	10.3%
Europe (excluding Italy and the United Kingdom)	146,958	25.5%	134,364	25.0%	12,594	9.4%	11.2%
North America	171,134	29.8%	172,888	32.1%	-1,754	-1.0%	7.6%
Asia-Pacific	95,102	16.5%	88,090	16.4%	7,012	8.0%	14.2%
Other Countries and Not-country related revenues	33,336	5.8%	27,209	5.0%	6,126	22.5%	23.5%
TOTAL YOOX NET-A-PORTER-GROUP	575,088	100%	538,180	100%	36,908	6.9%	11.5%

In 2017 YOOX NET-A-PORTER GROUP posted strongly improving results in all main reference markets. This result was achieved despite the non-recurring effect due to the temporary reduction of the product assortment on THE OUTNET due to the migration process, which negatively affected all the regions, but the United Kingdom and North America in particular.

The United Kingdom ended 2017 with net revenues of Euro 286,803 thousand up by 13.7% at constant exchange rates (+6.2% reported), which were adversely affected by the Euro/GBP exchange rate, compared to Euro 269,935 in 2016. In the last quarter of 2017, net revenues in the United Kingdom stood at Euro 84,514 thousand, an increase of 10.3% at constant exchange rates (+8.0% reported).

YOOX NET-A-PORTER GROUP

North America, the Group's major market had net revenues of Euro 632,206 thousand, up by 12.8% at constant exchange rates (+10.2% reported, which were adversely affected by the drop in the Euro/Dollar exchange rate). In QIV, net revenues for North America were Euro 171,134 thousand, up by 7.6% at constant exchange rates (-1.0% reported), compared to Euro 172,888 thousand in the same period last year.

For 2017, Italy had net revenues of Euro 142,554 thousand, up by 14.3% at constant exchange rates (+14.2% reported), compared to Euro 124,783 thousand in 2016. In the fourth quarter, net revenues were Euro 44,044 thousand, up by 17.7% at constant and current exchange rates. This growth was mainly led by YOOX, which benefitted from the marketing and branding campaigns launched before the holidays.

In 2017, net revenues in Europe (excluding Italy and the United Kingdom) stood at Euro 548,574 thousand, an increase of 12% at constant exchange rate (+12.4% reported). In the fourth quarter, net revenues were equal to Euro 146,958 thousand, an increase of 11.2% at constant exchange rates (+9.4% reported)

Net annual revenues in the Asia Pacific area were equal to Euro 355,779, up by 22.2% at constant exchange rates (+17.7% reported). In the fourth quarter, net revenues were Euro 95,102 thousand, up by 14.2% at constant exchange rates (+8.0% reported): this result was driven by the solid performance posted by YOOX in Hong Kong, which felt the positive effects of the branding campaign launched successfully in October 2017, with a consequent significant increase in the engagement and purchase rates by customers.

Lastly, the total of Other Countries and Not-country related earnings posted net revenues of Euro 125,125 in 2017, up 18.2% at constant exchange rates (12.0% reported). This result was assisted by an increase in net revenues in the fourth quarter of 23.5% at constant exchange rates (+22.5% reported), driven by the excellent results achieved by YOOX following the launch of sales through the JV with Alabbar.

INVESTMENTS

In 2017, the Group continued to enhance its existing technology and operational capabilities while investing in the convergence to one shared global techno-logistics platform: capital expenditure amounted to Euro 169,258 thousand, compared with Euro 136,946 thousand in the previous year, primarily devoted to technology.

In particular, in 2017 YOOX NET-A-PORTER GROUP delivered three important integration milestones: the convergence towards a common Enterprise Resource Planning software ("ERP"), the launch of the first Online Flagship Store on the new front-end platform, and the migration of THE OUTNET to a shared omni-stock platform for the Off-Season business line.

The Group continued to strengthen its mobile offering in line with its mobile-centric strategy, with a strong focus on native apps, which are seen as the strongest tool for conversion, customer engagement and retention. Notable developments for NET-A-PORTER and MR PORTER native apps were the possibility for customers to share their favourite products with friends and personal shoppers via iMessage and the introduction of image and video push notifications. YOOX launched a revamped version of its native app and has introduced the option to receive order notifications on WhatsApp in select European markets. As a consequence, in 2017, for the first time for a full year, sales from mobile exceeded 50% of the Group's sales.

YOOX NET-A-PORTER GROUP also took a major step-forward in its omni-channel offering for its luxury brand partners, with the delivery of the first step of the NEXT ERA roll-out to enable a "single view of inventory", alongside the continuous roll-out of existing omni-channel functionalities to more of the Group's Online Flagship Stores' partners.

Finally, over the year, the Group also made significant headway in the development of its operations, with the opening of the new office and distribution centre in Dubai, new photo studios and logistics spaces at the Interporto logistics pole in Bologna and the set-up of the new In-Season logistics hub in Milan.

ANALYSIS OF GROSS PROFIT²³ BY BUSINESS LINE

THOUSANDS OF EUROS	MULTI-BRAND IN-SEASON		MULTI-BRAND OFF-SEASON		ONLINE FLAGSHIP STORES	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
GROSS PROFIT	449,712	401,344	285,741	262,351	70,576	68,727
% OF NET REVENUES	41.5%	41.4%	36.2%	37.7%	32.4%	33.5%
% CHANGE	12.1%		8.9%		2.7%	

Multi-brand In-Season business line

The gross profit of the Multi-Brand In-Season business line stood at Euro 449,712 thousand, up by 12.1% compared with the gross profit of Euro 401,344 thousand in 2016, with a margin of 41.5% compared with 41.4% in 2016.

Multi-brand Off-Season business line

The Multi-brand Off-Season business line recorded a gross profit as at 31 December 2017 of Euro 285,741 thousand, an increase of 8.9% compared with Euro 262,351 thousand in the same period of the previous year, with a declining margin on net sales revenues falling from 37.7% in 2016 to 36.2% in 2017.

This result mainly reflects currency head-winds, mostly deriving from the devaluation of the US Dollar and British Pound, and a higher incidence of net shipping costs.

Online Flagship Stores business line

The gross profit of the Online Flagship Stores business line stood at Euro 70,576 thousand, up by 2.7% compared with the gross profit of Euro 68,727 thousand in 2016, with a margin of 32.4% compared with 33.5% in 2016. This mainly reflects different revenue shares triggered by pre-defined volume thresholds as envisaged in some of the existing contracts as well as lower contribution from Not Country Related revenues.

FINANCIAL MANAGEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The tables below contain the figures taken from the Group's reclassified consolidated statements of financial position and the Group's consolidated statement of cash flows as at 31 December 2017 compared with the Group's statement of financial position and consolidated statement of cash flows as at 31 December 2016.

²³ Gross profit is defined as the difference between net sales revenues and cost of goods sold including shipping costs.

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Reclassified consolidated statement of financial position at 31 December 2017:

THOUSANDS OF EUROS	BALANCE AT 31 DEC 2017	BALANCE AT 31 DEC 2016	% CHANGE
NET WORKING CAPITAL ²⁴	20,932	36,556	-42.7%
NON-CURRENT ASSETS	1,891,843	1,880,397	-0.6%
NON-CURRENT LIABILITIES (EXCLUDING FINANCIAL LIABILITIES)	(73,972)	(85,660)	-13.6%
NET INVESTED CAPITAL²⁵	1,838,803	1,831,293	-0.4%
SHAREHOLDERS' EQUITY	1,922,092	1,935,994	-0.7%
NET DEBT / (NET FINANCIAL POSITION) ²⁶	(83,691)	(104,701)	-20.1%
TOTAL SOURCES OF FINANCING	1,838,803	1,831,293	-0.4%

The Group's net invested capital went from Euro 1,831,293 thousand as at 31 December 2016 to Euro 1,838,803 thousand as at 31 December 2017. The figures are in line with performance from the previous year. Note the continuous investment of the new Group in the technical-logistics platform and in technology. The positive net financial position was positive but deteriorated, going from Euro 104,701 thousand as at 31 December 2016 to Euro 83,691 thousand as at 31 December 2017.

²⁴ Net working capital is current assets, net of current liabilities, with the exception of cash and cash equivalents, bank loans and borrowings and other financial payables due within one year and financial assets and liabilities included under other current assets and liabilities. Net working capital is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union. The measurement criterion adopted by the Company might not be consistent with that adopted by other groups and, accordingly, the balance obtained by the Company may not be comparable with those calculated by such groups.

²⁵ Net invested capital is the sum of working capital, non-current assets and non-current liabilities, net of medium/long-term financial liabilities. Net invested capital is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union. The measurement criterion adopted by the Company might not be consistent with that adopted by other groups and, accordingly, the balance obtained by the Company may not be comparable with those calculated by such groups.

²⁶ Net debt (or net financial position) is the sum of cash and cash equivalents, other current financial assets, net of bank loans and other financial liabilities falling due within one year, other current financial liabilities, and medium/long-term financial liabilities. Net financial debt (or net financial position) is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union. The measurement criterion adopted by the Company might not be consistent with that adopted by other groups and, accordingly, the balance obtained by the Company may not be comparable with those calculated by such groups. For details of the items that make up net debt (or net financial position), please see the table below in the section "Debt/Consolidated net financial position". "Other current financial assets" are not regulated in detail in the definition of net financial debt (or net financial position) of SECR; the Group integrates this definition by including in "other current financial assets" the credits held towards acquirers and logistic operators, who are required to collect payment upon delivery.

YOOX NET-A-PORTER GROUP

Change in net financial position for the year ended 31 December 2017 compared with the change in net financial position as at 31 December 2016:

THOUSANDS OF EUROS	31 DEC 2017	31 DEC 2016	% CHANGE
EBITDA EXCLUDING INCENTIVE PLAN COSTS	169,247	155,703	8.7%
FINANCIAL INCOME AND EXPENSES AND ASSOCIATES	(13,223)	(8,790)	50.4%
TAX PAID	(29,720)	(24,913)	19.3%
CHANGE IN ORDINARY WORKING CAPITAL	53,335	(23,445)	>100%
CAPITAL EXPENDITURE	(169,258)	(136,946)	23.6%
OTHER	(60,774)	(19,178)	>100%
EXCHANGE DIFFERENCE FROM CONVERSION	5,528	17,511	-68.4%
FREE CASH FLOW	(44,863)	(40,058)	12.0%
EQUITY CONTRIBUTION	29,381	100,000	-70.6%
EXERCISE OF INCENTIVE PLANS	-	186	<100%
EXCHANGE DIFFERENCE FROM CONVERSION ²⁷	(5,528)	(17,511)	-68.4%
CHANGE IN NET FINANCIAL POSITION	21,011	42,617	>100%

DEBT/CONSOLIDATED NET FINANCIAL POSITION

The table below gives details of the YNAP Group's net financial position as at 31 December 2017.

THOUSANDS OF EUROS	BALANCE AT 31 DEC 2017	BALANCE AT 31 DEC 2016	% CHANGE
CASH AND CASH EQUIVALENTS	262,333	155,465	68.7%
CURRENT FINANCIAL ASSETS	50,448	66,995	-24.7%
OTHER CURRENT FINANCIAL ASSETS	753	672	12.1%
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	(71,378)	(17,639)	>100%
OTHER CURRENT FINANCIAL LIABILITIES	(799)	(1,809)	-55.8%
SHORT-TERM NET FINANCIAL POSITION	241,357	203,684	18.5%
MEDIUM/LONG-TERM FINANCIAL LIABILITIES	(157,666)	(98,982)	-59.3%
CONSOLIDATED NET FINANCIAL POSITION	83,691	104,701	-20.07

The Group's policy is to maintain an adequate margin of financial flexibility through available "committed" lines of credit, capable of supporting future development plans.

The Group met its financial needs during the year by using lines of credit in order to finance investments and working capital peaks during the buying seasons and the integration with former THE NET-A-PORTER GROUP.

To ensure adequate financial flexibility also in years to come, in the year ended 31 December 2017, the Group renegotiated its lines of credit with the major banks and as at 31 December 2017 had a total of Euro 280 million, of which Euro 200 million expiring on average in between 3 and 4 years. Of these available lines, Euro 52 million were not utilised. The annual cost on

²⁷ They refer to the difference resulting from the conversion of the ordinary working capital, investments and the item "Other" into Euros between the exchange rate at 31 December 2017 and that at 31 December 2016.

YOOX NET-A-PORTER GROUP

the nominal value of the total of lines of credit was equal to an average spread of approximately 105 bps. The lines utilised as at 31 December 2017 were fully hedged against the risk of interest rate fluctuations.

Cash and cash equivalents totalled Euro 262,333 thousand as at 31 December 2017, and are made up of cash, negotiable instruments and demand deposits or short-term deposits with banks, which are actually available and readily usable.

As at 31 December 2017, financial liabilities stood at Euro 229,044 thousand and were mainly made up of medium/long-term loans agreed for the investment in the techno-logistics platform and for managing the integration process under way. Specifically, outstanding long-term loans were provided by a lending syndicate in the following amounts: Banca Nazionale del Lavoro: Euro 55,000 thousand (of which Euro 15,719 thousand was short-term); UniCredit: Euro 75,000 thousand (of which Euro 21,435 thousand was short-term); and Banca Intesa: Euro 70,000 thousand (of which Euro 20,006 thousand was short-term). Other loans were provided by EIB in the amount of Euro 18,246 thousand (of which Euro 9,081 thousand was short-term). The remaining financial liabilities were for finance leases totalling Euro 10,798 thousand (of which Euro 5,136 thousand was short-term) dedicated to investments in technology.

Other current financial liabilities as at 31 December 2017 of Euro 799 thousand, include the negative fair value of transactions in derivatives (accounted for according to IAS 39 using the cash flow hedge method) set up to hedge against the interest rate risk in relation to the loan agreements.

Current financial assets as at 31 December 2017, equal to Euro 50,448 thousand, refer mainly to financial receivables due to the Group from acquirers who manage authorisations for cards belonging to national/international credit or debit card circuits used for online sales, and logistics operators who are asked for cash for payments on delivery (Euro 39,114 thousand), as well as an interest-bearing deposit with the bank BNL (Euro 10,722 thousand). The remainder is related to financial accruals recognised at the end of the quarter (Euro 612 thousand).

On the other hand, the other current financial assets are related to the positive fair value of transactions in derivatives (accounted for according to IAS 39 using the cash flow hedge method) set up to hedge the exchange rate risk deriving from sales in Japanese yen (Euro 69 thousand) and US dollars (Euro 683 thousand).

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

The following table provides a reconciliation of the Parent Company's equity and profit for the year with the same consolidated figures pertaining to the Group for 2016 and 2017.

	31 DEC 2017		31 DEC 2016	
THOUSANDS OF EUROS	NET INCOME	SHAREHOLDERS' EQUITY	NET INCOME	EQUITY
PARENT COMPANY'S FIGURES	(69,705)	2,000,882	(43,921)	2,056,785
CONSOLIDATION ADJUSTMENTS				
DIFFERENCE BETWEEN CARRYING AMOUNT AND PROPORTIONAL SHARE OF EQUITY OF SUBSIDIARIES AND ASSOCIATES	94,069	(68,896))	79,566	(118,402)
ELIMINATION OF INTRA-GROUP PROFITS	(8,915)	(12,627)	(2,486)	(3,711)
TAX IMPACT ON UNREALISED INTRA-GROUP PROFITS	1,811	3,134	771	1,322
TOTAL CONSOLIDATION ADJUSTMENTS	86,966	(78,389)	77,851	(120,791)
EQUITY AND PROFIT PERTAINING TO THE GROUP	17,261	1,922,494	33,930	1,935,994

INFORMATION ON SIGNIFICANT NON-EU COMPANIES

YOOX NET-A-PORTER GROUP S.p.A. has acknowledged the revision to Consob Regulations concerning markets, which were adopted in Resolution 16191 of 29 October 2007 and subsequent revisions concerning the listing of non-European parent companies.

Please note that THE YOOX NET-A-PORTER GROUP S.p.A. controls, directly or indirectly, 9 relevant companies which are governed by the laws of countries outside the European Union ("Relevant non-EU Companies").

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

In particular:

- all Significant Non-EU Companies already prepare their accounts for the consolidated financial statements; the balance sheet and income statement of such companies are available to THE YOOX-NET-A-PORTER GROUP S.p.A. shareholders in accordance with the deadlines and procedures specified by the applicable regulations;
- THE NET-A-PORTER GROUP S.p.A. acquired the same rules, structure and powers of the governing bodies of the relevant non-EU companies;
- Significant Non-EU Companies provide the Parent Company's auditors with all the information necessary to audit the annual and interim financial statements of the Parent Company; in addition, these companies have an administrative and accounting system capable of regularly providing the financial statement figures needed for the preparation of the consolidated financial statements to the YNAP Group's management and auditors.

The Company has direct control over Largenta Limited, operating under UK jurisdiction, that owns the controlling shares of group NET-A-PORTER. On June 23rd, 2016, the Referendum, called "Brexit", that took place in the United Kingdom sanctioned the exit of the country from the European Union. Based on currently available information, the United Kingdom is expected to leave the European Union by March 2019. There are no significant repercussions other than those related to fluctuations of the Euro/Pound exchange rate.

Therefore, THE YOOX NET-A-PORTER GROUP S.p.A. Control Committee, in order to make sure to fulfil all the bylaw duties in the subject matter, has verified the suitability of its administrative and accounting systems in delivering regularly to YNAP S.p.A. management and auditors its profit and loss, balance sheet and financial records required for the Consolidated Financial Statement. The punctuality of such information flow is guaranteed by regular meeting with the above mentioned parties.

OTHER INFORMATION

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

Relations between the Group companies can be summarised as follows:

- the supply of products to subsidiaries earmarked for sales on the US, Japanese and Asia Pacific area websites;
- maintenance, support and update services for the subsidiaries' websites;
- administrative, financial and legal services provided to subsidiaries;
- customer services provided in support of the customer services localised at the subsidiaries;
- consulting and support services in the area of fashion, marketing, advertising and professional training provided for the subsidiaries.

Relations among the Group companies or between the latter and related parties cannot be defined as either atypical or unusual, as they come under the normal course of the Group's business and take place under normal market conditions and

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in the interest of the Group. There were no atypical or unusual transactions. For more details, please refer to the consolidated financial statements as at 31 December 2017.

These transactions were carried out under normal market conditions, i.e. under the same conditions that would apply between two independent parties.

All receivables, payables and related costs and revenues incurred between Group companies are reported in detail in the consolidated financial statements as at 31 December 2017.

For trade transactions between Group companies and parties included among shareholders and/or directors, refer to the consolidated financial statements as at 31 December 2017.

For the financial statements impact of the Group transactions with related parties, refer to the consolidated financial statements as at 31 December 2017.

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

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

YOOX NET-A-PORTER GROUP S.p.A. reclassified income statement for the year ended 31 December 2017:

THOUSANDS OF EUROS	31 DEC 2017	31 DEC 2016	CHANGE	
NET REVENUES	639,515	578,904	60,611	10.5%
COST OF GOODS SOLD	(503,137)	(445,229)	(57,908)	13.0%
GROSS PROFIT	136,378	133,675	2,703	-2.0%
% of net revenues	21.3%	23.1%	-	-
FULFILMENT COSTS	(60,812)	(48,054)	(12,758)	26.5%
SALES AND MARKETING COSTS	(41,598)	(40,948)	(650)	1.6%
EBITDA PRE CORPORATE COSTS	33,968	44,673	(10,705)	-24.0%
% of net revenues	5.3%	7.7%	-	-
GENERAL EXPENSES	(65,154)	(54,806)	(10,348)	18.9%
OTHER INCOME AND EXPENSES	176	(6,011)	(6,186)	>100%
EBITDA	(31,011)	(16,144)	(14,867)	92.1%
% of net revenues	-4.8%	-2.8%	-	-
DEPRECIATION AND AMORTISATION	(47,747)	(35,659)	(12,088)	33.9%
NON-RECURRING EXPENSES	-	-	-	-
OPERATING PROFIT	(78,758)	(51,803)	(26,955)	52.0%
% of net revenues	-12.3%	-8.9%	-	-
INCOME FROM EQUITY INVESTMENTS	262	371	(109)	29.4%
FINANCIAL INCOME	6,545	9,188	(2,643)	-28.8%
FINANCIAL EXPENSES	(14,363)	(12,674)	(1,689)	13.3%
PROFIT BEFORE TAX	(86,313)	(54,918)	(31,395)	57.2%
% of net revenues	-13.5%	-9.5%	-	-
TAXES	16,608	10,997	5,611	51.0%
NET INCOME FOR THE FISCAL YEAR	(69,705)	(43,921)	(25,783)	58.7%
% of net revenues	-10.9%	-7.6%	-	-
			-	-
EBITDA EXCLUDING INCENTIVE PLAN COSTS	(20,689)	(5,850)	(14,839)	>100%
% of net revenues	-3.2%	-1.0%		
NET INCOME EXCLUDING INCENTIVE PLANS	(62,623)	(36,859)	(25,764)	69.9%
% of net revenues	-9.8%	-6.4%		

The Parent Company's net revenues, net of returns and customer discounts for 2017, were Euro 639,515 thousand, an increase of 10.5% on the previous year. These figures include revenues from the Parent Company's supply of goods to subsidiaries.

YOOX NET-A-PORTER GROUP

EBITDA totalled negative Euro 31,011 thousand, representing -4.8% of revenues.
There was a net loss of Euro 69,705 thousand in 2017, compared with a net loss of Euro 43,921 thousand in 2016.

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

In 2017 YOOX NET-A-PORTER GROUP S.p.A. made investments totalling Euro 146,303 thousand. Since nearly all the Group's investments were made by the Parent Company, see the Investments section for additional information.

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

YOOX NET-A-PORTER GROUP S.p.A. reclassified income statement for the year ended 31 December 2017:

THOUSANDS OF EUROS	BALANCE AT 31 DEC 2017	BALANCE AT 31 DEC 2016	% CHANGE
NET WORKING CAPITAL	11,911	65,212	-81.7%
NON-CURRENT ASSETS	2,150,965	2,033,419	5.8%
NON-CURRENT LIABILITIES (EXCLUDING FINANCIAL LIABILITIES)	(466)	(330)	41.2%
NET INVESTED CAPITAL	2,162,410	2,098,302	3.1%
SHAREHOLDERS' EQUITY	2,000,882	2,056,785	-2.7%
NET DEBT / (NET FINANCIAL POSITION)	161,528	41,517	>100%
TOTAL SOURCES OF FINANCING	2,162,410	2,098,302	3.1%

YOOX NET-A-PORTER GROUP S.p.A. consolidated statement of cash flows for the fiscal year at 31 December 2017:

THOUSANDS OF EUROS	31 DEC 2017	31 DEC 2016	% CHANGE
CASH FLOW GENERATED BY (USED IN) OPERATING ACTIVITIES	23,989	(14,258)	<100%
CASH FLOW GENERATED BY (USED IN) INVESTING ACTIVITIES	(146,394)	(91,984)	59.2%
SUBTOTAL	(122,405)	(106,241)	15.2%
CASH FLOW GENERATED BY (USED IN) FINANCING ACTIVITIES	103,845	80,041	29.7%
TOTAL CASH FLOW GENERATED DURING THE YEAR	(18,560)	(26,201)	-29.2%

The net financial position of the Parent Company as at 31 December 2017 was a negative figure of Euro 161,528 thousand, compared with negative Euro 41,517 thousand as at 31 December 2016.

As already indicated, in accordance with the Group's organisational structure, treasury operations are centralised at the Parent Company, YOOX NET-A-PORTER GROUP S.p.A., which manages all lines of credit provided to the Group.

Cash and cash equivalents totalled Euro 39,919 thousand as at 31 December 2017, against Euro 58,480 thousand as at 31 December 2016, and are made up of cash, negotiable instruments and demand deposits or short-term deposits with banks, which are actually available and readily usable. For details on financing activities, see the section on the debt/net financial position.

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

INFORMATION FOR INVESTORS

Since 3 December 2009, the shares of the Group have been listed on the STAR segment of Borsa Italiana (ISIN Code IT0003540470). After that, the share was also admitted to the FTSE Italia Mid Cap²⁸ index, to then, on 23 December 2013, join the FTSE MIB - the main index of Borsa Italiana consisting of the top 40 Italian companies by capitalisation and liquidity. As of the date of the document, the Group's shares are traded on the Mercato Telematico Azionario (MTA) organised and operated by Borsa Italiana, following the decision of the Company's Board of Directors to request exit from the STAR segment on 30 July 2015. This decision is attributable to the context of the merger between YOOX GROUP and THE NET-A-PORTER GROUP, to the high market capitalisation of the Group and to the inclusion of the stock in the FTSE MIB index from 2013. Following 5 October 2015, the effective merger date, the new issue shares that resulted from the YOOX NET-A-PORTER GROUP transaction itself, as well as the ordinary shares already outstanding as of that date, were admitted to trading on the MTA with the new ticker "YNAP" and included in the FTSE MIB index. As at 29 December 2017, the last day of trading of the year, the YOOX NET-A-PORTER GROUP stock closed at Euro 29.12, corresponding to a market capitalisation equalling Euro 3.9 billion.

YOOX NET-A-PORTER STOCK PERFORMANCE IN 2017

The YNAP share closed 2017 up by 8.1%, with high volatility throughout the 12 months of the year. After reaching highs in the first weeks of the period, the first half of 2017 closed 10.1% lower than the levels at the start of the year; from the record low reached in March 2017 (15 March 2017) to the end of the half year (30 June 2017), the price of the share nevertheless increased by 12.7%. In the second half of the year (1 July - 29 December 2017) the YNAP share increased by 20.2%, after reaching highs for the year in October (12 October 2017) and over performing the benchmark by 14.1 percentage points (FTSE MIB +6.2% in the second half of 2017). See the chart on the next page regarding the performance of the e-commerce²⁹, luxury³⁰ and Italian luxury sectors³¹ for the reference period).

Since listing on the Italian Stock Exchange on 29 December 2017, the share has enjoyed a positive performance of 577% compared to the initial listing prices (Euro 4.3).

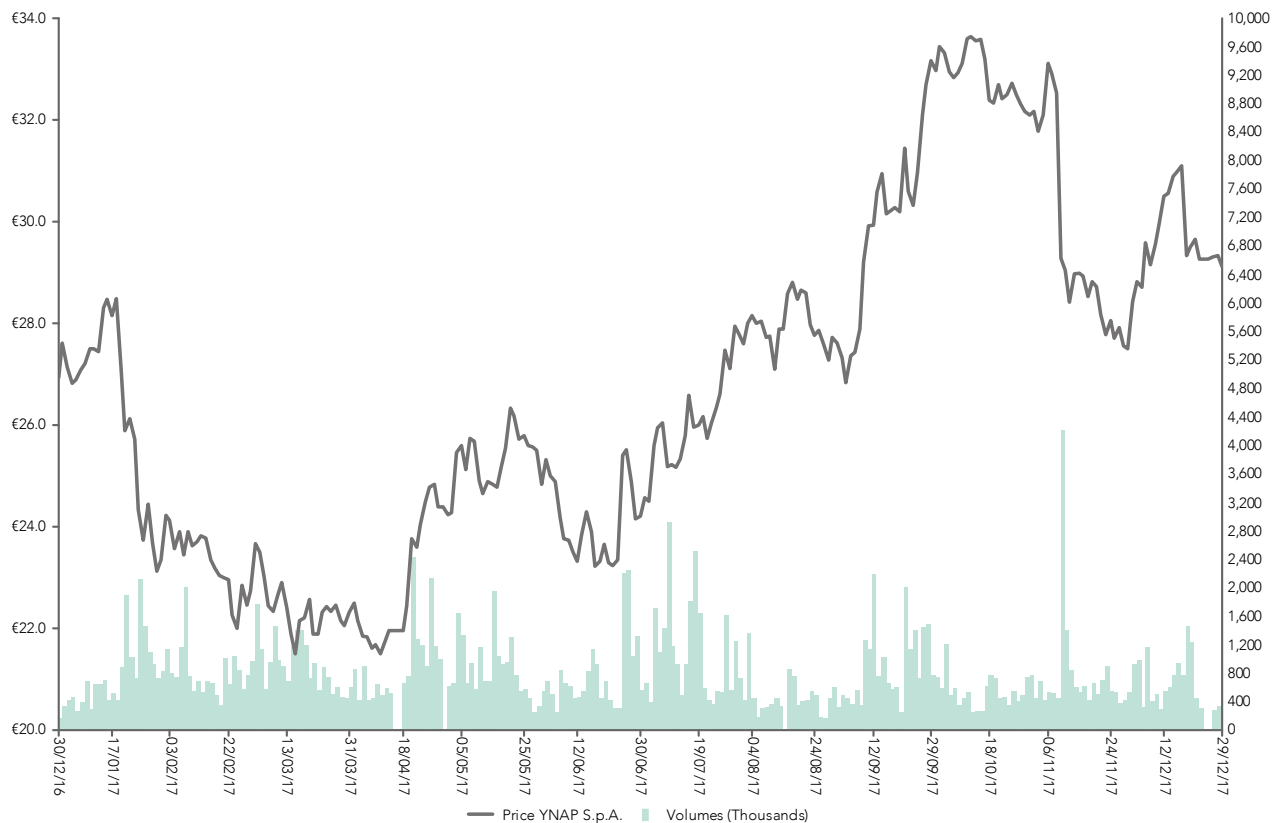
²⁸ The FTSE Italia Mid Cap index includes the top 60 companies in terms of capitalisation and liquidity outside of the FTSE MIB index.

²⁹ The representative index for the e-commerce sector includes Alibaba, Amazon, ASOS, boohoo.com, Blue Nile, eBay, Start Today and Zalando.

³⁰ The representative index of the luxury sector includes Brunello Cucinelli, Compagnie Financière Richemont, Hermès, Kering, LVMH, Moncler, Prada, Salvatore Ferragamo and Tod's.

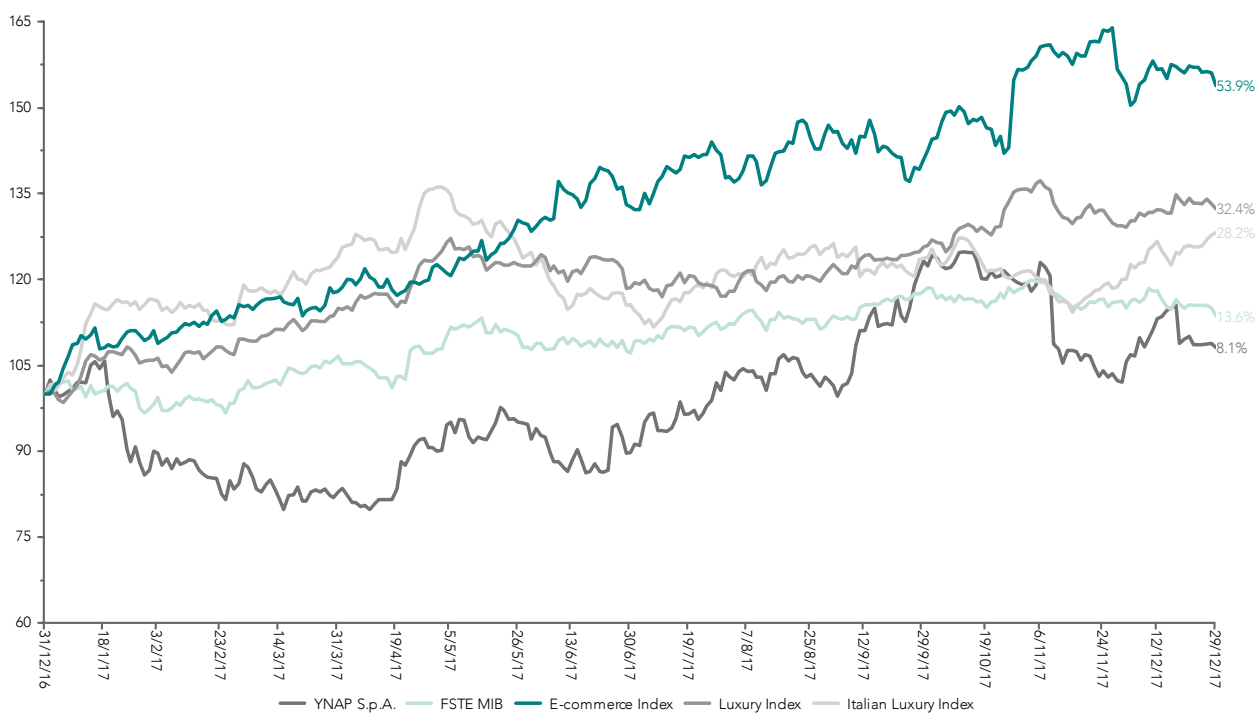
³¹ The representative index of the Italian luxury sector includes Brunello Cucinelli, Moncler, Prada, Salvatore Ferragamo and Tod's.

YOOX NET-A-PORTER GROUP



Source: Factset

YOOX NET-A-PORTER GROUP STOCK PERFORMANCE COMPARED WITH THE MAIN BENCHMARK INDICES IN 2017



Source: Factset

YOOX NET-A-PORTER GROUP

The table below summarises key stock and stock exchange data for 2017.

STOCK AND STOCK EXCHANGE DATA	29 DEC 2017
CLOSING PRICE AS AT 29/12/2017 (EURO)	29.12
MAXIMUM CLOSING PRICE FOR 2017 IN EURO – 12/10/2017	33.63
MINIMUM CLOSING PRICE FOR 2017 IN EURO – 15/03/2017	21.50
MARKET CAPITALISATION AS AT 31/12/2017 (EURO MILLION)	3,901.4

Source: Borsa Italiana

STOCK COVERAGE

Stock analyst coverage at 08 March 2018 includes 21 financial analysts: Arete, Banca Akros, Banca IMI, Berenberg, Bryan Garnier & Co., Citi, Credit Suisse, Deutsche Bank, Equita, Exane BNP Paribas, Fidentiis, Goldman Sachs International, Hammer Partners, Intermonte, J.P. Morgan, Kepler Chevreux, Mediobanca, Morgan Stanley, joined by Barclays, HSBC, Jefferies International and RBC Capital Markets during 2017.

SHAREHOLDER STRUCTURE

As at 31 December 2017, the share capital issued stood at Euro 1,339,762.93 corresponding to a total of 133,976,293 shares with no indication of par value, pursuant to Article 2346 of the Italian Civil Code of which 91,163,148 were ordinary shares, admitted to trading on the MTA and 42,813,145 were B Shares with no voting rights, not listed on the MTA.

As at 31 December 2017, as far as we are aware, according to the Shareholder Register, plus the notifications received pursuant to Article 120 of the TUF and other information available, holders of significant stakes in YOOX NET A-PORTER GROUP S.p.A. share capital were as follows:

SHAREHOLDERS	31 DEC 2017
FEDERICO MARCHETTI	5.7%
RICHEMONT	25.0%
CAPITAL RESEARCH AND MANAGEMENT COMPANY	10.1%
RENZO ROSSO	5.7%
SCHRODERS	5.0%
ALABBAR ENTERPRISES	3.9%

Note: Percentages calculated on the ordinary share capital, consisting of 91,163,148 ordinary shares.

INVESTOR RELATIONS

The Group places particular emphasis on developing its relationships with analysts, shareholders and institutional investors. During the year, the Group's activities mainly involved the organisation of roadshows in some of the main financial centres in Europe and the United States and events dedicated to institutional investors held at the Group's offices in Milan, London and New York.

Financial communication continued to take place according to the rules stipulated by Borsa Italiana on price-sensitive press releases, in keeping with the Group's wish to provide timely, transparent information to support its relations with the financial community.

RISK FACTORS

The Group is exposed to various types of risks related to the business in which it operates.

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

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

The main operational risk factors are identified as:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- *Risks related to the functioning of IT systems*

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

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

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

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

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

- *Risks related to changing consumer preferences*

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

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

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

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

- *Risks related to competition*

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

- *Risks related to technological development*

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

The success of the Group depends, among other things, on the capacity to innovate its technologies quickly and efficiently, and to strengthen existing technologies in order to respond to technological progress emerging in its sector.

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

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

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

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

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

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

- *Risk related to stock sizing*

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

- *Risks relating to Legislative Decree 231/01*

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

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

ADDITIONAL INFORMATION

In accordance with the requirements of IFRS 7, the financial statements as at 31 December 2017 include an analysis of the nature and extent of the risks associated with the financial instruments to which the Group is exposed, as well as the methodologies used to manage these risks. Below is a summary of such financial risks. Please see the explanatory notes for further information.

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

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

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

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

The Group's operational and financial policies are aimed at minimising the impact of such risks on the Group's performance by improving operating results and the net financial position.

- *Liquidity risk*

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

- *Credit risk with financial counterparties and commercial counterparties*

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

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

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

INFORMATION CONCERNING MEASURES TO PROTECT PRIVACY

The increased focus of national and supranational authorities on guarding and protecting personal privacy, which was brought about by the advancement of new technologies and increasingly invasive monitoring techniques, has resulted in a flurry of legislation and the resulting approval of several new, and increasingly intricate regulations on privacy and the protection of information assets.

Specifically, following the enactment of Regulation 679/2016 (GDPR) by the European Union, the continual development of practices surrounding Federal Law FZ-242 of the Duma (which led to denigrating major players operating in the Russian Federation such as LinkedIn), and the enactment by the People's Republic of China of the Cyber security Law and other similar measures aimed at protecting the privacy of individuals in the use of technology have subjected the overall e-commerce sector to a rapidly growing environment aimed at rationalising and automating the governance of information assets. Furthermore, the political environment, which, on the one hand, recently resulted in the positive outcome of the referendum on Brexit in the UK, as well as a new president of the United States overseas, had a direct impact on international agreements and alliances in the area of privacy and data protection. The former led the English authority, ICO, to confirm its willingness to adopt the new European Regulation 679/2016, while the latter led to criticism of, and a severe crisis over, the problematic agreement reached between the US and EU with the Privacy Shield.

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On a daily basis, this area undertakes to strengthen the response of the YNAP Group and to gradually make it more structured and highly reactive to regulatory effects and changes that govern all aspects of information assets, with a particular focus on personal and transactional data (PCI-DSS).

YNAP places the greatest emphasis on ensuring online security by using the strictest security systems and standards and by effectively and faithfully applying applicable regulations. The approach continues to be sensitive to the local protection of the rights of end users resulting in a better experience aimed at the local perception of issues centred around privacy and the handling of personal data. Furthermore, in the context of establishing a task force capable of reacting to the regulatory requirement and up to the task of working with competent authorities, the YNAP Group has proposed the establishment of a Group Data Protection Officer to screen impacted projects and support the internal team in implementing programmes.

Therefore, in order to protect the confidentiality, integrity and availability of information related to clients, employees and partners, the Group commits to addressing projects and basing its approach on the ISO/IEC 27001 standard. This framework is meant to guarantee a high level of security by introducing a formal process of Information Risk Analysis based on an internationally recognised methodology and an approach by design. This risk analysis allows the Information Risk Committee, established within the framework, to assess the information risk trends on a quarterly basis and take the appropriate preventive actions.

The management system is designed to include and satisfy all regulatory requirements to which the Group is subject from an information perspective and, at the same time, to optimise efforts and share the technological solutions and techniques adopted.

The entire framework is based on a risk analysis and continual improvement approach (Deming Cycle), which guarantees a high level of effectiveness and ensures that the challenges that the e-commerce sector is currently required to face in relation to the security and privacy of information are constantly dealt with.

HUMAN RESOURCES

The Group encourages the professional development and growth of its people, fully aware of how important they are to the success of the business. The management of people is central to valuing the potential of individuals and creating a harmonious work environment with growth as the goal.

The pursuit of company goals with a view to excellence is related to the ability to work with a team spirit with constant attention to professionalism, passion and motivation.

In a context featuring strong growth at an international level as well, the Group is adopting a series of principles for the management of human resources which features the development of relations directed at propriety and transparency, impartiality and honesty.

The Group is also committed to valuing differences and diversity in the management of human resources in the conviction that taking different points of view into consideration can create added value and contribute to the enrichment of relations, both from a professional and human point of view.

VALUES

Ethical principles, enthusiasm for one's work and the pursuit of excellence are considered fundamental values in the working environment.

Induction Days for new employees include an introductory module on the importance of corporate values.

HEADCOUNT

As at 31 December 2017, the Group's total headcount stood at 4,703 employees, up 575 net resources compared with 31 December 2016. The table below shows a breakdown of the headcount³²:

N°	31 DEC 2017	31 DEC 2016	CHANGE
MANAGERS	38	38	-
JUNIOR MANAGERS	115	89	26
EMPLOYEES AND TRAINEES	1,376	943	433
ABROAD	3,174	3,058	116
TOTAL HEADCOUNT	4,703	4,128	575

Approximately 33% of staff are located in the three Italian offices, with the remaining 67% located in Group offices abroad.

GENDER EQUALITY AND WORKING ENVIRONMENT

Equal treatment of persons within the Group in concrete terms involves guaranteeing, starting from the recruitment stage through all activities carried out, no discrimination for reasons of race, gender, nationality, sexual orientation, social status, physical appearance, religion and political persuasion.

ASSESSMENT AND DEVELOPMENT OF CAPITAL

Again in 2017, the Group adopted the Performance Evaluation for employees, aimed at promoting the development of its resources and guaranteeing a clear and constant dialogue between managers and co-workers throughout the year.

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

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

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

RECRUITMENT AND SELECTION AND TRAINING

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

YNAP, by virtue of the specific nature of its business, which features a high innovative and technological content, continues to hire people with specific expertise in new technologies. For this reason the Group places special importance on the recruitment, selection and successful integration of personnel in the Company and looks for dynamic people driven by change and innovation.

The instruments and channels used for recruiting candidates, especially new graduates and high school leavers, give priority to the website and relations with schools and universities, where there are special arrangements.

The selection and recruitment process is aimed at the search for the most talented people who prove they have the best aptitude and technical-specialist skills for the posts to fill.

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

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

Training has always played a very important role for the Group. There were numerous training events in 2017, with various specific targets:

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

The Group's commitment to collaboration with the academic world continues. In line with the international development of the Group, in recent years the Company has increasingly looked towards the international market, both in the search for highly educated professionals and, in some cases, also for recent graduates, managing relations and collaborating with some of the major business schools.

HEALTH AND SAFETY

For the Group, health and safety in the workplace for all collaborators, in compliance with existing regulations and the main contents of the Code of Ethics, is a priority. Specifically, the Group strives to provide working conditions that ensure respect for the physical and moral integrity of its workers.

In order to guarantee constant attention to the subject of Occupational Health and Safety, YNAP places special attention on training activities, defining training proposals aimed at different professional profiles.

As early as 2013 the Group adopted the "Environment and Safety Policy," which methodically defines the Company's approach to the environment and serves as the foundation of the "Integrated Environmental, Health and Safety Management System." The Policy identifies the needs of internal and external participants in terms of environment and safety and constitutes the departure point for pursuing measurable improvement objectives.

NON-COMPETITION AGREEMENT

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

ORGANISATIONAL STRUCTURE

In 2017, the organisational structure was analysed and reviewed in order to better support the development of the business lines. All organisational changes were communicated promptly and clearly, in compliance with the instructions in the "Information to Be Provided to the Supervisory Body and Organisational Reporting" of the Organisation, Management and Control Model pursuant to Legislative Decree 231/01. 23101

ENVIRONMENT

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

The Group sustainability policy on environmental issues includes:

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

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

MANAGEMENT APPROACH TO ENVIRONMENTAL ISSUES

YNAP's performance in the management of the major environmental issues is measured and monitored through a dedicated KPI system. The gradual expansion of spaces, the growth in volumes of activities managed, products moved and data centres used are therefore managed by trying to maximise efficiency in the use of resources.

The Environmental Management System according to the UNI EN ISO 14001:2004 standard was confirmed and renewed in 2017 to guarantee a structured approach in the management of environmental issues. YOOX NET-A-PORTER GROUP S.p.A. also extended the certification of the integrated safety and environment management system to the Casalecchio di Reno production unit.

The management of the integrated system and the monitoring of its effectiveness are handled by dedicated in-house personnel working alongside specialist consultants.

THE FIGHT AGAINST CLIMATE CHANGE

The YNAP Group has developed initiatives that aim to combat climate change for the purpose of safeguarding the environment and, at the same time, creating value.

With this in mind, YNAP has set itself achievable targets commensurate with its importance in the sector in which it operates, and it continues along its chosen path with a view to:

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

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

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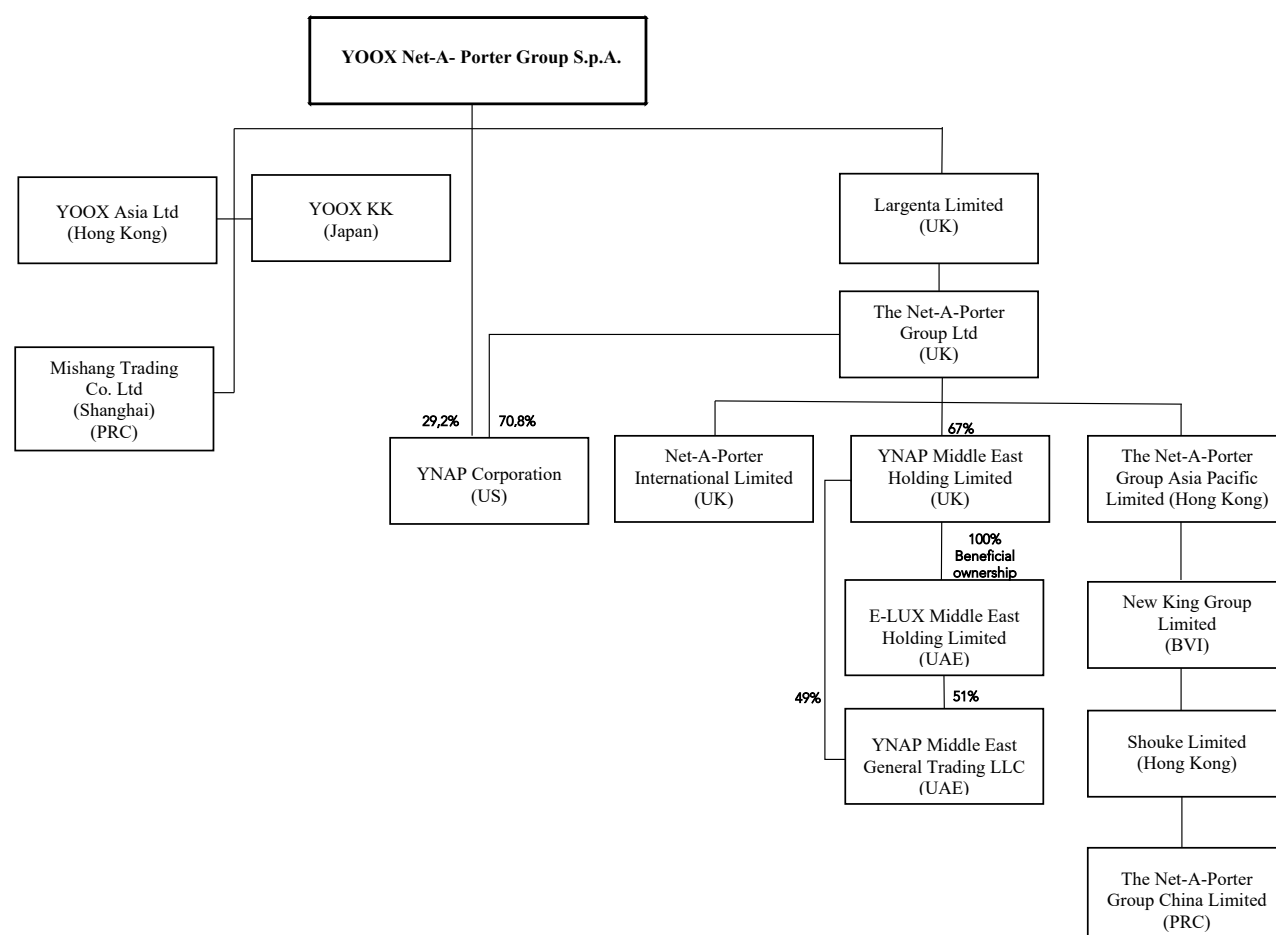
CORPORATE GOVERNANCE

The YOOX NET-A-PORTER GROUP S.p.A. Parent Company corporate governance model is described in detail in the Report on corporate governance and shareholder structure as at 31 December 2017, which should be referred to.

CORPORATE STRUCTURE

YNAP Group Corporate Structure change in the course of 2017 in connection with the joint venture agreement with Symphony Investments, a company controlled by Mohamed Alabbar, that was announced on November 2016 and that will create an undisputed leader in luxury e-commerce in the Middle East, through a partnership capable of grasping the huge potential for growth in this area. Consistently with the provisions of this agreement, on 20 January 2017, YNAP Middle East Holding Limited was first established: this is a UK company that is currently 67% owned by THE NET-A-PORTER GROUP LIMITED and 33% owned by Symphony Global LLC. YNAP Middle East Holding Limited is therefore fully consolidated by YNAP. Subsequently, in order to establish local operating activities and fully seize the significant growth potential of this area, YNAP Middle East General Trading Limited was established. This is an operating company with registered office in Dubai that is 49% directly controlled by YNAP Middle East Holding and 51% by the vehicle company established in Dubai International Financial Center E-Lux Middle East Holding Limited.

The following chart represents the YNAP Group Structure as at 31 December 2017.



ASSIGNMENT OF SHARES FOLLOWING THE EXERCISE OF STOCK OPTIONS

In the course of 2017 overall 234,988 ordinary YNAP shares were issued, following the exercise of 4,519 options whose details are described in the table below:

STOCK OPTION PLANS	ASSIGNMENT DATE	STRIKE PRICE (IN EURO)		TOTAL OPTIONS	TOTAL SHARES AFTER DIVISION
		106.5	59.17		
2003 – 2005	12/01/2017	1,000		1,000	52,000
2006 – 2008	12/01/2017		500	500	26,000
SUB TOTAL		1,000	500	1,500	78,000
2007 – 2012	10/05/2017		1,442	1,442	74,984
SUB TOTAL			1,442	1,442	74,984
2006 – 2008	12/07/2017		500	500	26,000
SUB TOTAL			500	500	26,000
2006 – 2008	28/07/2017		1,077	1,077	56,004
SUB TOTAL			1,077	1,077	56,004
TOTAL		1,000	3,519	4,519	234,988

As a result of this, the share capital issued by YNAP S.p.A. as at 31 December 2017 is equal to Euro 1,339,762.93 represented by 133,976,293 shares with no par value, including 91,070,155 ordinary shares and 42,906,138 B Shares without voting rights.

As further clarified in the significant events occurred following the end of the Period, on 10 January and 9 February 2018 overall 803,140 YNAP ordinary shares were granted following the exercise of 15,445 options whose details are reported in the chart below.

STOCK OPTION PLANS	ASSIGNMENT DATE	STRIKE PRICE (IN EURO)		TOTAL OPTIONS	TOTAL SHARES AFTER DIVISION
		106.5	59.17		
2004 – 2006	10/01/2018	500		500	26,000
2006 – 2008	10/01/2018		200	200	10,400
2007 – 2012	10/01/2018		962	962	50,024
SUB TOTAL		500	1,162	1,662	86,424
2006 – 2008	09/02/2018		3,636	3,636	189,072
2007 – 2012	09/02/2018	336	9,811	10,147	527,644
SUB TOTAL		336	13,447	13,783	716,716
TOTAL		836	14,609	15,445	803,140

As a result of this, the new share capital issued by YNAP S.p.A. is equal to Euro 1,347,794.33 represented by 134,779,433 shares with no par value, including 91,966,288 ordinary shares and 42,813,145 B Shares without voting rights.

STOCK GRANT PLAN

On 27 April 2012, the Shareholders' Meeting, pursuant to Article 114-bis of Legislative Decree 58/1998, approved the establishment of an incentive and loyalty plan known as the Stock Grant Plan for employees of the Issuer and companies directly or indirectly controlled by it, to be implemented by the granting, free of charge, of a total of 550,000 ordinary shares in the Company, giving the Board of Directors the mandate to adopt the relative regulations. At the date of this Document, the Stock Grant Plan had not been implemented.

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

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

Pursuant to the 2015-2025 Stock Option Plan, in the course of 2017 the Company made the following stock option rights grants:

- on 18 April 2017, 610,000 options valid for the subscription of 610,000 YNAP ordinary shares were granted to 38 beneficiaries;
- on 21 June 2017, 72,000 options valid for the subscription of 72,000 YNAP ordinary shares were granted to 2 beneficiaries;
- on 8 November 2017, 80,000 options valid for the subscription of 80,000 YNAP ordinary shares were granted to one beneficiary;
- on 18 December 2017, 192,000 options valid for the subscription of 192,000 YNAP ordinary shares were granted to 2 beneficiaries.

For more information regarding the main characteristics of the Plan, please refer to the Prospectus issued pursuant to Article 84-bis of Consob Regulation 11971/1999 (as updated on 6 March 2018, available on the Company's website www.ynap.com (Governance Section - Documents, Principles and Procedures - Corporate Documents)).

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

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

BOARD OF DIRECTORS

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

- 7 (seven) members were appointed by the General Meeting of 30 April 2015, based on the two lists presented (six members were taken from List 1, presented by the outgoing Board of Directors, and the remainder were taken from List 2, presented by a group of institutional investors) pursuant to the articles of association in force as at the said date; The following persons were appointed as Directors based on the two lists presented:
 - Raffaello Napoleone (Chairman)
 - Federico Marchetti (Executive Director)

- Stefano Valerio (Vice-Chairman - Executive Director)
- Robert Kunze-Concewitz (Lead Independent Director)
- Laura Zoni
- Catherine Gérardin Vautrin
- Alessandro Foti
- Director Richard Lepeu was appointed by the General Meeting held on 21 July 2015 with effect from the Effective Date of the Merger;
- 2 (two) independent directors Eva Chen and Vittorio Radice were appointed by the Ordinary Shareholders' Meeting held on 16 December 2015; and
- At the recommendation of the Board of Directors, Director Cedric Bossert was appointed by the Ordinary Shareholders' Meeting held on 21 April 2017 to replace resigning Director Gary Saage, who had been appointed by the Shareholders' Meeting held on 21 July 2015.

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

BOARD OF STATUTORY AUDITORS

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

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

APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

The Shareholders' Meeting, which was held at a single ordinary session on 21 April 2017, approved the separate financial statements for the year ending 31 December 2016, and decided to increase the legal reserve to Euro 267,482.61 equal to 20% of the share capital subscribed and paid up at 31 December 2016, out of the "Retained earnings and losses reserve," and to cover the result for the year by using the "Retained earnings and losses reserve" in the amount of Euro 24,758,739.88 and by partially using the "Share premium reserve" in the amount of Euro 19,162,077.48.

REMUNERATION REPORT

On 21 April 2017 the Shareholders' Meeting approved, in a non-binding vote, Section I of the Remuneration Report prepared pursuant to Article 123-ter of Legislative Decree 58/1998 and Article 84-quater of Consob Regulation 11971/1999, as well as in accordance with Annex 3A, Tables 7-bis and 7-ter of the same Regulation

PURCHASE AND DISPOSAL OF TREASURY SHARES

At their meeting of 21 April 2017, the shareholders approved, with the majorities specified in Article 44-bis, paragraph 2 of Consob Regulation 11971/1999 for the purposes of the so-called whitewash, the authorisation of the purchase and disposal of treasury shares, in compliance with Articles 2357 and 2357-ter of the Italian Civil Code and Article 132 of the TUF and related implementation provisions, revoking the authorisation to purchase treasury shares approved by the shareholders' meeting of 27 April 2016. The authorisation for the purchase and disposal of treasury shares is aimed at allowing the Company to initiate treasury share purchase programmes for the purposes set forth in Article 5 of Regulation (EU) 596/2014 (Market Abuse Regulation, hereinafter "**MAR**"), as may be expanded to the practices allowed pursuant to Article 13 of the MAR and, thus, to allocate treasury shares held (a) to service programmes for options on shares or other grants of shares to employees and members of the administration or control bodies of the issuer or an associate, or, where permitted by the practices allowed pursuant to Article 13 of the MAR, a subsidiary; (b) to service the conversion of bonds; and (c) for the subsequent elimination, with no change in share capital, and within any deadlines approved by the competent corporate bodies. The authorisation for such purchases was granted for a period of 18 months from the date of the resolution. The authorisation for the use of treasury shares was granted without time limits.

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

CONVERSION OF B SHARES TO ORDINARY YNAP SHARES

On 11 September 2017, as a result of the exercise by Richemont Holdings (UK) Limited of the option specified in Article 5, paragraph 5 of the Issuer's by-laws to convert B shares into ordinary shares to bring its equity investment up to 25% of voting shares, 92,933 ordinary YNAP S.p.A. shares were issued and assigned. Following the conversion, Richemont's equity investment consisted of 22,786,452 ordinary shares and 42,813,145 B shares.

DIRECTORS' APPOINTMENTS COMMITTEE

The current Directors' Appointments Committee was established by Board resolution of 30 April 2015, as subsequently supplemented by a resolution of the Board of Directors of 11 November 2015. It consists of three non-executive directors, two of whom, including the Chairman, are independent, namely:

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

COMPENSATION COMMITTEE

The current Compensation Committee was established by the Board resolution of 30 April 2015 and comprises three Non-executive directors, the majority of whom are independent, namely:

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

CONTROL AND RISKS COMMITTEE

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

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

RELATED-PARTY TRANSACTIONS COMMITTEE:

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

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

SUPERVISORY BODY PURSUANT TO LEGISLATIVE DECREE 231/2001

The Supervisory Body, in office until the approval of the financial statements as at 31 December 2017, was first appointed by the Board on 30 April 2015 and comprises three members: Rossella Sciolti, an external member, as Chairperson, Isabella Pedroni, an external member, and Matteo James Moroni, an internal member and Internal Audit Manager of the Issuer.

DIRECTOR RESPONSIBLE FOR PREPARING THE FINANCIAL STATEMENTS

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

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

CONSOLIDATED NON-FINANCIAL DISCLOSURE

1. INTRODUCTION

1.1 METHODOLOGY NOTE

The Consolidated Non-Financial Disclosure (the "CNFD") of YOOX NET-A-PORTER GROUP (the "Group", the "YNAP Group" or "YNAP") has been prepared in compliance with Legislative Decree no. 254 of December 30th 2016. The CNFD reports on environmental matters, social topics, themes related to personnel, to the respect for human rights, and arguments concerning the fight against active and passive corruption (also referred to as the 'Decree areas') on top of additional aspects identified as material for YNAP through a materiality analysis process.

The CNFD refers to the financial year ending on December 31st 2017, and includes the data of the Parent Company YOOX NET-A-PORTER GROUP S.p.A. as well as those of the wholly owned subsidiaries - in this regard, please refer to the 'scope of consolidation' section in the notes to the Consolidated Financial Statements. Any limitations to the reporting scope, as specified in the individual sections of the CNFD, are due to the lack of data availability in light of a change management in the gathering processes. YNAP undertakes to gradually report the missing data beginning next year.

The CNFD was prepared in accordance with the methodologies and principles laid out by the "In Accordance – Core" application level of the Sustainability Reporting Guidelines (GRI G4) defined by the Global Reporting Initiative (GRI), which

currently represents the international standard reference for reporting on non-financial information. The reporting takes place on a yearly basis.

The information is provided with a comparison with that disclosed last year in the 2016 Sustainability Report. If this comparison was not available or if it was necessary to reclassify the information from last year, justification for this is provided in the individual sections of the CNFD. The data were calculated using the best calculation methodologies available and reported along with the individual GRI indicators; in certain cases, highlighted in the notes, the data have been estimated.

The table of GRI indicators ("GRI Index") is provided at the end of the document.

KPMG S.p.A. has verified that the CNFD has been arranged. The firm has released through a dedicated report, annexed to this CNFD, containing a limited assurance on the compliance of the information disclosed with that required by Legislative Decree no. 254 of December 30th 2016, (article 3 and 4), and the principles and methodologies laid out in the reporting standard used as a reference.

[GRI indicators: G4-17, G4-22, G4-23, G4-28, G4-29, G4-30, G4-32, G4-33]

1.2 MATERIAL TOPICS AND REPORTING APPROACH

The material topics for YNAP have been identified through a structured process of materiality analysis (completed in early 2017) which was based on the results of stakeholder engagement activities. YNAP identified its material topics starting from an initial list of 26, defined on the basis of information gathered from a range of sources (sector benchmarks; ethics indexes requirements; GRI guidelines). The aspects were then classified analysing the results of the large scale customer survey, which involved roughly 24,000 customers, and the evaluations expressed by members of the YNAP's Sustainability Leadership Committee (thematic workshops with the participation of nearly 40 people) and external stakeholders interviews conducted with 11 experts and trusted partners. The internal assessment brought to light how important each individual aspect is for YNAP's long-term success, while the external evaluation highlighted how much these aspects count in the stakeholder decision-making process.

The Group commits to expand stakeholder dialogue and engagement on matters regarding sustainability. A description of engagement activities carried out particularly with employees, customers and the community is provided in the next sections of the CNFD.

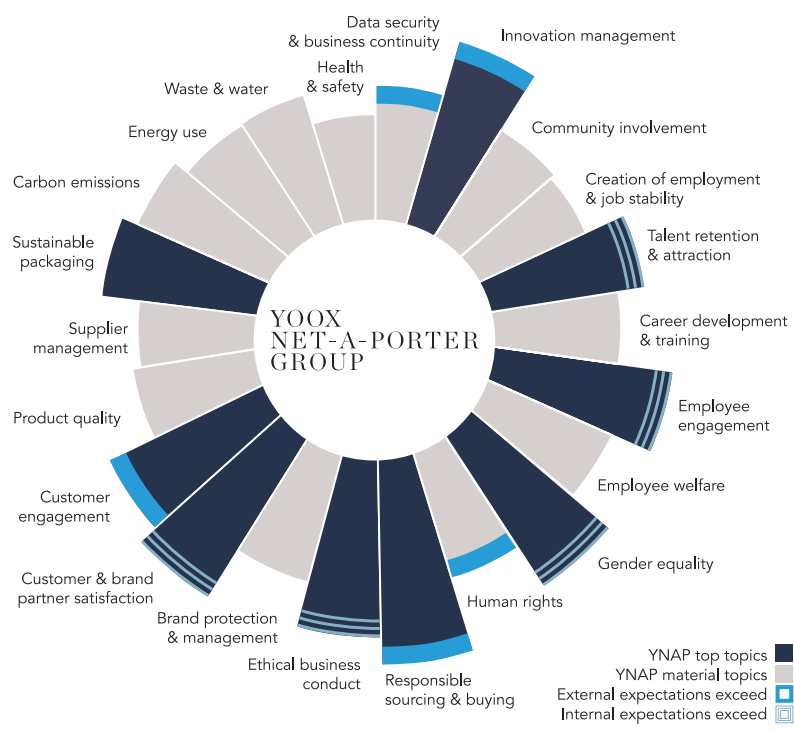
In addition, this CNFD constitutes the Communication on Progress (COP) required every year by the Global Compact. The GRI Principles-UN Global Compact reconciliation table is provided at the end of the document.

YNAP Group has developed its sustainability vision broken down in three macro-areas of action. The first regards the promotion and spreading digital competencies among young generations. The second concerns the promotion of diversity and inclusion. Lastly, the Vision aims at increasing business management sustainability to guarantee a reduction of the environmental impacts.

At the moment, YNAP is working hard to transform the ambitions defined in its sustainability vision into clear objectives and concrete projects to be undertaken, to define a sustainability strategy capable of guiding and inspiring change throughout the business, engaging employees and orienting stakeholder communications.

In the sphere of the management of its relations with the stakeholders, YNAP has identified the following categories: customers; employees; investors; suppliers and strategic partners; brand partners; followers and readers; communities; academic institutions; public administration and public sector organisations; non-profit associations; charitable and non-profit organisations; professional bodies and trade associations; trade associations relating to the industry of reference; the media. YNAP aims at periodically update the results of the materiality analysis and further expand the level of reporting on material aspects in future years.

The material aspects are presented in the figure below, in which the sizes of the individual segments reflect the overall weight of each aspect. YNAP has identified a group of nine main material aspects, which have emerged from the internal and external assessments. Moreover, aspects were also distinguished based on whether these showed a significant relevance in the internal or the external perspective.



For each Decree area and for the additional material aspects identified by YNAP through its materiality analysis, a description of the company’s management model, the relative policies, the results achieved and the fundamental non-financial performance indicators is provided within the individual sections of the CNFD. Additional details concerning the policies adopted by YNAP to manage the areas laid out in Decree 254/2016 are also provided in the ‘Management Policies’ section. The ‘Risk management’ section provides a description of the main risks generated or suffered in relation to the aspects reported on in the CNFD.

YNAP is aware of the extent of its economic, environmental and social impacts, and identifies the stakeholders influenced by its activities, internally as well as externally. The aspects identified as material “within” the organisation (employee engagement; professional development and training; health and safety; employee well-being) apply to all entities of the organisation and specific limitations have not been identified; the employee perspective has been considered in the definition of the internal scope. For the aspects identified as material “external” to the organisation, in the table below a reference to the stakeholders are identified for which that specific matter is important has been included, and a “global” geographical relevance was identified. However, in continuity with last year reporting, the impacts specified in the CNFD refer primarily to the internal scope.

The table below provides a reconciliation of the Decree areas, the material topics for YNAP, the GRI-G4 aspects, and the indicators reported on and the external stakeholders.

YOOX NET-A-PORTER GROUP

Areas set forth in Legislative Decree 254/2016	Material topics for YNAP	GRI-G4 aspects and KPIs reported	External stakeholders
▪ Environment	<ul style="list-style-type: none"> ▪ Energy consumption ▪ Carbon emissions ▪ Waste and water consumption ▪ Sustainable packaging 	<ul style="list-style-type: none"> ▪ Environment – Energy [G4-EN3]; Emissions [G4-EN15, G4-EN16, G4-EN17, G4-EN19, G4-EN20]; Water [G4-EN8]; Effluents and waste [G4-EN23]; Materials [G4-EN1] 	<ul style="list-style-type: none"> ▪ Customers ▪ Brand Partners ▪ Suppliers and strategic partners ▪ Community
▪ Society	<ul style="list-style-type: none"> ▪ Community engagement ▪ Procurement and responsible purchasing ▪ Supplier management ▪ Customer and brand partner satisfaction ▪ Customer engagement ▪ Product quality 	<ul style="list-style-type: none"> ▪ Economic - Economic performance [G4-EC1]; Procurement practices [G4-EC9] ▪ Society – Supplier assessment for impacts on society [G4-SO10] ▪ Labour practices and decent work – Supplier assessment for labour practices [G4-LA15] ▪ Environment – Supplier environmental assessment [G4-EN33] ▪ Product responsibility – Product and service labelling [G4-PR5]; Customer health and safety [G4-PR1, G4-PR2]; Marketing communications [G4-PR6]; Compliance [G4-PR9] ▪ Stakeholder engagement 	<ul style="list-style-type: none"> ▪ Customers ▪ Brand Partners ▪ Suppliers and strategic partners ▪ Community ▪ Non-profit organisations, NGOs and charitable organisations
▪ Fight against corruption	<ul style="list-style-type: none"> ▪ Ethical conduct 	<ul style="list-style-type: none"> ▪ Ethics and Integrity [G4-56, G4-58] ▪ Society – Anti-corruption [G4-SO3, G4-SO4, G4-SO5]; Anti-competitive behaviour [G4-SO7]; Compliance [G4-SO8] 	<ul style="list-style-type: none"> ▪ Customers ▪ Brand Partners ▪ Suppliers and strategic partners ▪ Public Administration and public sector organisations
▪ Personnel	<ul style="list-style-type: none"> ▪ Gender equality ▪ Attraction and retention of talent ▪ Professional development and training ▪ Creating employment and stable work ▪ Employee well-being ▪ Health and safety ▪ Employee engagement 	<ul style="list-style-type: none"> ▪ Labour practices and decent work – Diversity and equal opportunity [G4-LA12]; Employment [G4-LA1, G4-LA2]; Equal remuneration for women and men [G4-LA13]; Training and education [G4-LA9, G4-LA11]; Occupational health and safety [G4-LA6]; Labour practices grievance mechanisms [G4-LA16] ▪ Economic – Market presence [G4-EC6] ▪ Stakeholder engagement 	<ul style="list-style-type: none"> ▪ Community ▪ Academic institutions
▪ Human Rights	<ul style="list-style-type: none"> ▪ Human Rights 	<ul style="list-style-type: none"> ▪ Human rights – Investment [G4-HR2]; Non-discrimination [G4-HR3]; Freedom of association and collective bargaining [G4-HR4]; Forced or compulsory labour [G4-HR6]; Child labour [G4-HR5]; Human rights grievance mechanisms [G4-HR12]; Supplier human rights assessment [G4-HR11] 	<ul style="list-style-type: none"> ▪ Suppliers and strategic partners
-	<ul style="list-style-type: none"> ▪ Innovation management 	<ul style="list-style-type: none"> ▪ Specific material aspect for YNAP 	<ul style="list-style-type: none"> ▪ Customers ▪ Brand Partners ▪ Suppliers and strategic partners
-	<ul style="list-style-type: none"> ▪ Data security and business continuity 	<ul style="list-style-type: none"> ▪ Product responsibility – Customer privacy [G4-PR8] 	<ul style="list-style-type: none"> ▪ Customers ▪ Brand Partners
-	<ul style="list-style-type: none"> ▪ Brand protection & management 	<ul style="list-style-type: none"> ▪ Specific material aspect for YNAP 	<ul style="list-style-type: none"> ▪ Brand Partners

YNAP Group's management model

GRI-G4 Indicators General Standard Disclosure	References to the 2017 Annual Report
▪ Name of the organisation [G4-3]	▪ 'Issuer Profile' in 'Report on corporate governance and ownership structure'
▪ Primary brands, products and/or services [G4-4]	▪ 'Directors' Report'
▪ Location of the organisation's headquarters [G4-5]	▪ 'General information about the Group' in 'Notes to the Consolidated Financial Statements as at 31 December 2017'
▪ Number of countries where the organisation operates [G4-6]	▪ 'Issuer Profile' in 'Report on corporate governance and ownership structure'
▪ Nature of ownership and legal form [G4-7]	▪ 'Share Capital Structure' in 'Report on corporate governance and ownership structure'
▪ Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries) [G4-8]	▪ 'Directors' Report'
▪ Scale of the organisation (total number of employees, number of operations, net sales (for private sector organisations) or net revenues (for public sector organisations), total capitalisation broken down in terms of debt and equity (for private sector organisations), quantity of products or services provided [G4-9]	▪ 'Directors' Report'
▪ Significant changes during the reporting period regarding the organisation's size, structure, ownership or its supply chain [G4-13]	▪ 'Significant events after the end of the year' in 'Directors' Report' and CNFD: 'Supply chain management'
▪ List of all entities included in the organisation's consolidated financial statements and indication of any entity not covered by the report [G4-17]	▪ 'Scope of consolidation' in 'Notes to the Consolidated Financial Statements as at 31 December 2017'
▪ Governance structure of the organisation [G4-34]	▪ 'Report on corporate governance and ownership structure'
▪ Indication of whether the Chair of the highest governance body is also an executive officer [G4-39]	▪ 'Management and control bodies' in 'Report on corporate governance and ownership structure'
▪ Highest committee or position that approves the organisation's sustainability report [G4-48]	▪ 'General meetings and shareholders' rights' in 'Report on corporate governance and ownership structure'

[GRI indicators: G4-18, G4-19, G4-20, G4-21, G4-24, G4-25, G4-26, G4-27]

2. APPROACH TO SUSTAINABILITY

2.1 PRINCIPLES, VALUES AND RULES OF CONDUCT

YNAP's values, the Code of Ethics and the YNAP Way of Working ('YNAP WoW') jointly represent the orienting principles and guidelines of the how the Group undertakes to act with respect to its stakeholders. Within YNAP, it is well known that ethical conduct constitutes the basis for the Group's success, in economic as well as credibility terms. The company's four values - Young at Heart, Nimble, Authentic, People - reflect the Group's shared culture and represent the foundational elements of the internal control system.

In 2009 YNAP adopted the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 and successive amendments as a measure to prevent the crimes thereby defined. The Decree establishes the direct liability of legal entities, companies and associations for a set of crimes perpetrated by their representatives. The Model has been periodically updated in light of regulatory amendments, changes in case law and renewal in the internal organisation.

The Board of Directors passed a resolution for a comprehensive update of the Model at its meeting held on August 2nd 2017. The update primarily regards the sections dedicated to the governance and the organisational structure in light of corporate evolutions following the merger, to the list of predicate offences due to regulatory updates and to the penalty system for the management of violations. The update of the "specific part" of the Model regarded the mapping of direct connections between the crimes-risks and company processes.

The Code of Ethics is an integral part of the Model 231 that defines the ethical principles and rules of conduct that must be respected by employees and anyone else working with or for YNAP.

As laid in the legislation, the effective and consistent implementation of the Model is guaranteed by a Supervisory Body consisting of three members, two external and one internal (the Head of Internal Audit). Compliance with the Code of Ethics and the Model 231 is monitored by the Group's Internal Audit department, which conducts periodic controls on company processes/areas in which they are applied in coordination with Security, Risk & Compliance, periodically reporting on the activities carried out during Compliance, Ethics & Risk Committee meetings.

In 2017, a training module dedicated to the Model 231 was provided in e-learning mode, as well as in class sessions to over 1,560 employees at the Italian locations. The module includes a section dedicated to the policies, procedures and conduct to be implemented in order to prevent and fight active and passive corruption. YNAP is also endowed with an Anti-Corruption Compliance Program structured in compliance with the laws in force in every country in which the Group operates, in particular in those in which the company functions and processes are most exposed to the potential risk of corruption are assessed to identify and implement a structured series of principles, rules of conduct and control instruments.

Lastly, the Group has implemented a whistle blowing process governed by a dedicated procedure that provides the opportunity to all stakeholders to report on inappropriate conduct and misbehaviours not compliant with the principles laid out in the Code of Ethics, the Anti-Corruption Compliance Program, the Organisational Model 231/01, the SA8000 management system, with any related law, regulation or provision of the Authorities. The "Whistle blowing Policy" establishes the essential guidelines reporting, is applicable to all Group companies and deals with any type of issue related to presumed or suspected violations by the top management, members of the corporate bodies, employees or third parties.

Reports are collected and managed by the Whistle blowing Committee, which discloses the results to the heads of the corporate functions concerned by the reported episodes/violations, both under investigation and confirmed, while guaranteeing protection, confidentiality and support to the reporting parties as well as those subject to reporting. At the end of the investigation process, may be defined penalties or corrective measures to be implemented in the internal control system. The reporting party is always provided with feedback on the investigation process and with a closure notification.

No cases of corruption were registered for the year 2017. No proceedings or legal actions were initiated against the Group with regard to illegal competition, anti-competitive conduct or monopolistic practices. Lastly, in 2017 no significant sanctions or non-monetary penalties were imposed against the YNAP Group due to lack of compliance with laws or regulations applied in the countries in which the Group operates.

→ For further information, please refer to the 'Internal control and risk management system' section ('Organisational model pursuant to Legislative Decree 231/2001') of the Report on corporate governance and ownership structure.

[GRI indicators: G4-S6, G4-SO4, G4-SO5, G4-SO7, G4-SO8]

2.2 MANAGEMENT POLICIES

The YNAP Way of Working (WoW) represents the tool with which the Group defines and communicates the business principles that guide everyone's day-to-day activities, which are based on integrity, ethical and transparent conduct and the centrality of the company values. The YNAP Way of Working integrates the approach and policies for the management of aspects that are relevant pursuant the Decree 254/2016 or relating to human rights, personnel management, the environment, the fight against corruption and social matters.

For YNAP, policies for the management of social matters refer in particular to those related to the supply chain management (more information in this regard is also available in the 'The supply chain' section), customer engagement (more information in this regard is also available in the 'Customer relations' section) and relations with the general public, institutions and the community in which the Group operates (more information in this regard is also available in the 'Relations with the community' section).

In these areas, the WoW works alongside aspects specific to the business, such as company information and data security and protection (for details, please refer to the 'Information security and integrity management policies'; more information is also available in the 'Risk management' section).

With regard to the protection and safeguarding of brands and innovation, please note that although dedicated procedures have not yet been formalised, YNAP makes every day structured efforts in order to carry out projects and initiatives for the development of improvement of these issues identified as material.

More information on brand protection is available in the 'Risk management' section.

Lastly, with respect to innovation management, at global level the organisational culture encourages and promotes innovative thought, experimentation, and the capacity to take advantage of new opportunities; more information in this regard is available in the 'Risk management' chapter.

The management policies relating to the four macro-areas into which the 'YNAP WoW' is broken down are described below.

Policies for fighting active and passive corruption

Personal and business integrity

The management policies that define personal and professional integrity call for:

- Compliance with all domestic and international regulations and laws applicable to YNAP's business activities, reference legislation in the countries in which it operates, including regulations on trade and imports and regulations in force against money laundering;
- Engagement in relations with third parties distinguished by the utmost levels of transparency and integrity, avoidance and prevention of conflicts of interests; and fight of any form of corruption: facilitation payments refusal, specific ruling of the management of sponsorships, donations, gifts and discounts, therefore guaranteeing impartiality, objectivity and traceability of supplier qualification and selection processes.
- Prohibition against using confidential information, accessible thanks to one's role within the organisation, for one's own personal gain or in a manner that could damage the Group and its activities.

→ More information on the policies for combating active and passive corruption is available in the 'Risk management' section.

Human resources management policies

Working together

The Group encourages the professional development and growth of its people, fully aware of how important they are to the business success. The management of people is aimed at valuing the potential of individuals and creating a harmonious work environment with growth as the goal.

The pursuit of company goals with a view to excellence is related to the ability to work with a team spirit with constant attention to professionalism, passion and motivation.

In a context featuring strong growth at an international level, the Group is adopting a series of principles for the management of human resources which features the development of relations directed at propriety and transparency, impartiality and honesty. The Group is also committed at valuing differences and diversity in the management of human resources in the conviction that taking different points of view into consideration can create added value and contribute to the enrichment of relations, both from a professional and human point of view.

The promotion of diversity is considered a fundamental aspect for the creation of a productive work environment, especially for a Group like YNAP, which values innovation, collaboration and cooperation as a key factor for its success.

Gender equality constitutes an integral part of the Diversity and Equal Opportunities Policy as well as the approach for personnel management, which guarantees equal treatment irrespective of gender, age, ethnicity, culture or any form of disability.

All employees must be treated and evaluated exclusively on the basis of their professional skills, qualifications, conduct and performance. No form of discrimination is tolerated. These principles are formalised and distributed to all employees through the 'YNAP WoW'.

→ More information on the human resources management policies is available in the 'People' section.

Human rights management policies, also with regard to the supply chain

In relation to respect for human rights, the Group promotes the principles of dignity, freedom and equality in all areas of activity and in the management of relations with stakeholders internal and external to the organisation. YNAP's policies and procedures in this area are based on the Universal Declaration of Human Rights of the United Nations and are disseminated throughout the Group through the YNAP WoW, the Code of Ethics and the Supplier Code of Conduct.

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The Group respects laws and regulations relating to working conditions, health and safety on top of promoting practices and policies aligned with the principles defined by the International Labour Organisation and the United Nations Global Compact. In addition, through the Policy for Social Responsibility and for the Adoption of the SA8000 Standard, for the Italian offices, the Group is committed to respecting the requirements laid out by the SA8000:2014 international standard. To fully commit in effectively respecting the requirements of SA8000, the following reference procedures have been prepared and distributed: "SA8000 Procedure - Solving child labour", "SA8000 Procedure - Grievance management". At the moment, the Group is devoted to renewing its Responsible Jewellery Council (RJC) certification, an international initiative for responsible procurement in the jewellery sector.

→ More information on human rights management policies, particularly with regard to the supply chain, is available in the 'The supply chain' section.

Environment and health and safety management policies

Our Place in the World

YNAP has prepared (and updated in June 2017) the Group "Environment, Safety and Social Responsibility Policy", which methodically defines the Company's approach to the management of environmental performance and serves as the foundation of the "Integrated Environmental, Health and Safety Management System".

This system compliant with the UNI EN ISO 14001 standard, which was adopted and certified starting in 2013 in Italy and Japan, promotes a widespread dissemination of the principles laid out in the Environment and Safety Policy and requires people to share and follow consumption optimisation and streamlining procedures.

During annual Policy review sessions, the management checks whether targets have actually been achieved, defines new instruments and solutions to promote consumption optimisation and in order to guarantee the pursuit of measurable environmental and safety objectives.

These objectives include the extension of the UNI EN ISO14001:2004 environmental certification to the United Kingdom and United States offices, the certification of the Energy Management System in accordance with the ISO50001 Standard (to be obtained by the end of 2019 for the Italian offices), increasing the consumption of energy from renewable sources to fully cover the Group's energy requirements and lastly to undertake investments in green IT.

The YNAP WoW encourages and disseminates best practices among all employees regarding the environment and daily conduct oriented towards saving resources and protecting the plant, such as incentivising sustainable mobility, using the company's video conferencing system (completely overhauled in 2017) in order to limit travel and business trips, recycling and the reusing of paper and materials.

In relation to Occupational Health and Safety policies, in Italy and Japan YNAP works in line with an Integrated Occupational Health and Safety Management System compliant with the OHSAS 18001-2007 standard. Periodic monitoring, the assessment and prevention of relevant risks and the improvement of security levels are transversal goals in the management of aspects relating to the health and safety of the entire Group.

→ More information on the environmental and health and safety management policies is available in the sections: 'Risk management'; 'People'; and 'YNAP and the environment'.

Information security and integrity management policies

Protecting information

YNAP is committed in guaranteeing the security of the data managed within the company. A dedicated team assures that the security systems are continuously monitored and updated, in line not only with regulations and standards in force on data protection, but also with the most recent technological developments. In this regard, data security management policies have been defined in line with the control requirements laid out by the ISO27001 and ISO27002 international standards, and formalised in the Information Security Policy applied at Group level. YNAP constantly updates and shares its information security policies with employees in order to guarantee appropriate behaviours throughout the organisation. Employees are trained to ensure that the highest information security standards are always met. In addition, through the YNAP WoW the Group distributes guidelines to its employees in terms of data access, gathering and archiving.

→ More information on the information security management policies is available in the 'Risk management' section. For additional information, also refer to the 'Information concerning measures to protect privacy' section of the Directors' Report.

3. RISK MANAGEMENT

Risk management policies are coordinated by Security, Risk & Compliance, which supervises the Group's Integrated Compliance Model. In line with the recent review of the Borsa Italiana Code of Conduct and with best international practices, the objective is to create a dynamic and integrated approach to risk management at Group level, to enable YNAP to promptly identify possible risks and to guarantee that the proper information is used in decision-making processes. The model follows the approach of "three lines of defence" and calls for the establishment of the Compliance, Ethics and Risk Committee, the main objective of which is to pass resolutions on and supervise initiatives aimed at managing events (opportunities as well as threats) which may have an impact on the Group's strategic objectives and on the Corporate Governance model. The risks and opportunities subject to periodic monitoring also include those relating to sustainability. The Committee consists of representatives from all company functions and ensures that new compliance requirements and aspects connected to ethical and risk management topics are promptly brought to the attention of the Executives and the Senior Management. The Committee is responsible for periodically reporting to the Control and Risk Committee and through it to the Board of Directors about the main risks and opportunities arising so as to allow for an assessment of the company's risk profile and its integration within decision-making processes relating to the Group's strategy.

The risk management process is based on the implementation of a structured Enterprise Risk Management (ERM) model inspired by the ISO 31000 international standard and a Business Continuity Management (BCM) program. The Group Risk Manager is responsible for identifying, assessing and managing risks at Group level, while maintaining the ERM framework. The ERM framework implementation has been launched with the mapping of risks already identified within the business and the establishment of a risk matrix at Group level that makes it possible to harmonise the assessment of risks across the various business areas.

In 2018, interviews will be conducted with the heads of the company functions with a view to finalising activities mapping, adding to the register of company risks and proceeding with the risk assessment phase. To favour the dynamic and prompt management of risk levels, specific indicators and mitigating actions will be included within a reporting tool intended for the top management. The risk assessment process will be conducted and revised every year, through the submission of questionnaires to the company functions concerned.

→ Detailed reporting on the main types of risks linked to the business in which the Group operates is available in the 'Risk Factors' section of the 'Directors' Report'.

On the basis of the company risk analysis and assessment approach and methodologies, the following risk categories relating to sustainability matters have been identified. All risk categories analysed below consider direct impacts on the business in addition to reputational risk and the potential effects associated with an inadequate Group capacity to understand and respond to the needs of the main stakeholders.

- **Risks relating to combating active and passive corruption**

YNAP pays very close attention to assessing the risk profiles deriving from the effectiveness of tools for fighting against corruption, and failure to comply with reference regulations and legislation on the fight against money laundering and preventing any form of corruption, in force in all countries in which the company operates.

Risk Management Actions and Management Model

YNAP's policies for combating active and passive corruption confirm its commitment to carry on commercial dealings and relations with third parties, including the Public Administration, with the utmost levels of transparency and integrity, avoiding and preventing conflicts of interests and combating any form of corruption while also subjecting the processes and activities most exposed to these types of risks to periodic assessments.

Some of the mitigating measures adopted to deal with the risks, referred to above, include the adoption of the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 and the implementation of the Group's Anti Corruption-Compliance Program.

→ More information on policies for combating corruption is available in the 'Approach to sustainability' section.

- **Environmental and health and safety risks**

YNAP is aware of the risks associated with climate change linked to the environmental impacts of its operations, particularly with regard to shipments to final customers, in terms of indirect atmospheric emissions and paper and cardboard consumption for packaging.

In its environmental impact report, the Group also recognises the emissions generated by the consumption of electricity at its offices and logistics centres and those generated by the mobility of its personnel.

Risk Management Actions and Management Model

To deal with these risks and minimise them, the Group has implemented an Integrated Environmental, Health and Safety Management System compliant with the UNI EN ISO 14001:2004 and OHSAS 18001:2007 standards.

It has set the objective of earning the Energy Management System certification in accordance with the ISO50001 Standard by the end of 2019 (for the Italian offices); and it is committed to expanding procurement from renewable sources to cover the energy requirements of all operating locations and offices.

In relation to the packaging used for shipments, the paper and cardboard used is entirely recyclable and certified. Certified paper is also used for the publication of the Porter Magazine and 'MR PORTER Post' magazines.

→ More information on the environmental and health and safety management policies is available in the 'Approach to sustainability' and 'YNAP and the environment' sections.

- **Risks relating to the violation of human rights, also with regard to the supply chain**

The Group is committed to periodically evaluating the functions most exposed to the risk of human rights violations, in all areas of its own operations and in the working life of its employees, particularly with regard to the use of forced or child labour, forms of intimidation and harassment, including verbal, risks to health and the physical integrity of the workplace and discrimination in any form.

Risk Management Actions and Management Model

The commitment to promoting respect for human rights within its sphere of influence, applying a "zero tolerance" policy with respect to potential abuses and violations of human rights, with reference also to the supply chain and commercial partnerships, is based on the human rights management policies integrated within the YNAP WoW.

The Code of Ethics guarantees the dissemination of the highest standards of ethical conduct within the Group irrespective of the existence of legal obligations.

In 2014 a corporate social responsibility management system certified in accordance with the SA8000:2014 standard was implemented at the Italian offices. The Modern Slavery Act Statement published by the Group every year identifies the actions undertaken to guarantee that any forms of modern slavery and human trafficking are not present in any way, whatsoever, within the business or the supply chain. In addition, NET-A-PORTER is a member of the Responsible Jewellery Council (RJC), an international initiative for responsible procurement in the jewellery sector. The certification will be extended to the entire Group in 2018.

→ More information on human rights management policies, particularly with regard to the supply chain, is available in the 'The supply chain' section.

- **Risks relating to human resources management**

The attraction and retention of talent represents a key factor for the company's success. This is why the Group carefully evaluates the risks linked to its capacity to attract the best resources within a competitive market environment, and the definition of internal development plans to foster their continuous growth.

Risk Management Actions and Management Model

As part of its strategy of attracting and retaining employees, the Group works to create a positive and inclusive working culture that encourages people to grow and express their potential. In this regard, a series of training and development initiatives have been implemented. YNAP is also committed to inspiring innovative ideas by providing its employees with the tools and opportunities to experiment and reinvent the future through initiatives such as hackathons: dynamic, multidisciplinary events featuring the participation of technology teams composed by: creative talents, designers, programmers and developers, who work together to come up with innovative ideas and digital solutions in support of the business. The introduction of 'YNAP Social' committees in every Group office also encourages employee engagement in the life of the company through the

organisation of events and social initiatives. In addition, the company welfare program provides incentives and benefits to all employees in order to improve their quality of life and well-being.

→ More information on the human resources management policies is available in the 'Approach to sustainability' and 'People' sections.

- **Risks relating to product quality and brand protection**

Product authenticity monitoring represents a key factor for YNAP's operations to reduce risks connected to counterfeiting and the associated negative reputational impacts.

Risk Management Actions and Management Model

YNAP works continuously to protect the integrity of the brands in the digital realm, with the awareness that counterfeiting represents a serious issue to be handled. The "counterfeiting prevention" measures adopted to support Brand Partners include domain management and online searches for cases of intellectual property violations (e.g., "cyber squatting", the improper use of trademarks and the improper use of legal text and images). The Group is committed to developing new software to search for these violations online, to promptly take any necessary legal actions.

Leveraging its significant technological capabilities, YNAP acts as a preferred partner for the fashion and luxury industry, working in a network with brands, luxury sector trade associations (such as the Altgamma Foundation and Walpole) and the authorities to define and implement the highest standards of protection in the digital market.

- **Risks connected to protecting information and privacy**

YNAP recognises, evaluates and constantly monitors the risk of incurring in penalties, reputational or financial losses or reductions in market share deriving from the ineffective management and protection of all company information and data, including customer personal data.

Risk Management Actions and Management Model

Data security management and the key internal controls implemented are aligned with the best practices defined in the ISO27001 and ISO27002 standards and formalised in the "Information Security Policy" applied at Group level. YNAP is committed to respecting all local regulations and legislation on data protection. A task force has been formed within Security Risk & Compliance to guarantee the full and prompt implementation of the requirements laid out in the GDPR European Regulation - EU Regulation 2016/679 on the protection of personal data.

→ More information on the information security and integrity management policies is available in the 'Approach to sustainability' section. For additional information, also refer to the 'Information concerning measures to protect privacy' section of the Directors' Report.

- **Risks connected to innovation management**

As a luxury e-commerce pioneer, the Group is aware of the need to promote and foster business innovation in order to maintain its market leadership position, by guaranteeing an increasingly customised buying experience to its customers calibrated to their needs, as well as to make operations more efficient with reference to stock allocation and distribution on a global scale.

Risk Management Actions and Management Model

The Technology, Research and Development and Business Transformation teams are constantly committed to developing new technologies and applications in support of cognitive computing, which interacting with the customer base enables YNAP to achieve increasingly high standards of efficiency, competitiveness, and customisation.

The digital transformation strengthens how people interact with the various online and off-line retail sales channels and services. Thanks to its "omni-channel" strategy, YNAP is capable of meeting and anticipating customer behaviours and needs, particularly with regard to the In-Season business. This model, currently in the implementation and roll-out phase in the Online Flagship Stores managed by the Group, calls for the integration of YNAP's warehouse management systems (WMS) with those of the brand, so as to ensure product availability and prompt shipping, as well as to make any returns indiscriminately using YNAP's centralised logistics centre, the brand warehouses or the bricks-and-mortar stores, optimising distribution processes and administrative flows.

Significant investments in innovation and technology constitute the bases of the "Omni-Stock" logistics model, which will enable all Group logistics centres to dialogue in real time to define optimal assortment and stock levels, in line with the buying

behaviours of customers, whose preferences are captured and integrated within the WMS systems using cognitive computing. The “Omni-Stock” logistics model will optimise distribution on a global scale, with positive consequences on environmental impacts as well.

Its focus on innovation has led the Group to prefer and invest in “Green IT” to minimise environmental impacts, with reference to the management of data centres and server farms that use renewable energy and low-impact cooling technologies, as well as considerable investments to renew the video conferencing systems available to employees. In the course of 2017, 60% of the video-conference workstations in all offices were upgraded, including the multi-point and integrated virtual room functions.

[GRI indicators: G4-14, G4-SO3]

4. PEOPLE

YNAP constantly invests in its People, providing everyone with the opportunity to best express their potential, while leveraging their passion, creativity and energy as distinctive features of the workplace and supporting employees with professional development and growth paths as well as continuous investments in training and continuing education.

Human resources management policies are defined by the Group’s Human Resources Function and are based on three main drivers that constitute the pillars of the “People Strategy”:

- ‘dream team’: inspiring and motivating for the achievement of challenging targets within a transparent and meritocratic working environment
- ‘brilliant things’: adopting a proactive and open approach to new opportunities
- ‘dynamic business’: working flexibly, concentrating on priorities and learning to take decisions rapidly with a focus on the long term.

YNAP ensures healthy work environments that are fully compliant with reference regulations for the protection of the physical and emotional well-being of its associates, by investing in the construction of cutting-edge and environmentally friendly headquarters and offices which are capable of inspiring innovative ideas. This is how the new London Tech Hub inaugurated in June 2017 and home to the roughly 500 technology team resources present in the United Kingdom was designed and created, by the award-winning architects from Studio Grimshaw Architects. The Tech Hub was designed to inspire creative working methods, in line with the Group’s objective to attract the best digital talent and facilitate a mobile-centric culture, while also enabling continuous collaboration with the Group’s other offices worldwide.

Working at YNAP means making “mobile” an everyday working tool. Thanks to IBM’s *Mobile First* technology for iOS applications, the company’s smart phones were customised and distributed to all Group employees in June and July. The devices include tailor-made services and applications to improve communications and collaboration while speeding up and automating more routine tasks, making working methods increasingly flexible and efficient.

4.1 BREAKDOWN OF WORKFORCE AND GENDER EQUALITY

There were 4,703 employees on staff at the end of 2017, up by 14% compared with the previous year, supporting the continuous growth of business activities. The average age of employees is 34, and women make up 62% of the company’s population. 44% of the company’s population is 30 years of age or younger.

The staff also represents a wide variety of geographical areas, with 96 nationalities present in the 8 local offices. The majority reside in the United Kingdom (38%), Italy (35%) and the United States (23%).

YNAP operates with a significant presence of senior management from the reference geographical areas. This business model guarantees vicinity to customers through an accurate understanding of needs and supply localisation. At Group level, 85% of YNAP’s Senior Management, also including the Executives, was hired from the reference local communities (i.e., the countries in which the Group operates with offices and local logistics centres). For the Italian offices, the proportion is 96%, for the UK offices it is 69%, for the US offices is 75% and for Japan is 100%.

The 93% of employees are under permanent contracts, a figure which highlights YNAP’s commitment to guaranteeing and strengthening stable employment and investing in human capital by taking a long-term approach. In 2017, 181 internships were initiated, of which 64 were still under way at year end.

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In terms of area of employment, 53% of employees were working in Operations, 24% in the In-Season, Off-Season and Online Flagship Stores business functions, 15% in Technology and the remaining 8% in Corporate functions.

	31 DEC 2017			31 DEC 2016		
EMPLOYEES BY EMPLOYMENT CONTRACT AND GENDER (No.)	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
PERMANENT CONTRACT	1,697	2,665	4,362	1,576	2,401	3,977
TEMPORARY OR FIXED-TERM CONTRACT	98	243	341	40	111	151
TOTAL	1,795	2,908	4,703	1,616	2,512	4,128

	31 DEC 2017		
EMPLOYEES BY CATEGORY AND GENDER (No.)	MALE	FEMALE	TOTAL
EXECUTIVE TEAM – SENIOR LEADERSHIP TEAM	23	20	43
SENIOR AND MIDDLE MANAGEMENT	435	503	938
OFFICE AND OPERATIONS COLLEAGUES	1,337	2,385	3,722
TOTAL	1,795	2,908	4,703

	31 DEC 2017				
EMPLOYEES BY CATEGORY AND AGE (No.)	<30	30-40	41-50	>50	TOTAL
EXECUTIVE TEAM – SENIOR LEADERSHIP TEAM	-	15	20	8	43
SENIOR AND MIDDLE MANAGEMENT	190	551	159	38	938
OFFICE AND OPERATIONS COLLEAGUES	1,896	1,277	341	208	3,722
TOTAL	2,086	1,843	520	254	4,703

Note:

In the course of 2017 and following the introduction, currently under way at the various Group offices, of a new unique and integrated human resources management system at Group level, a new worker classification was developed on the basis of professional category, broken down over new levels. This means that the data relating to the breakdown of workers based on category, gender and age are not comparable with those published last year.

For this reporting period, it was not possible to specify the data relating to the “total workforce broken down between employees and workers operating under the supervision of the organisation based on gender” and those relating to “significant changes in the workforce”. The information on “workers operating under the supervision of the organisation” and “significant changes in the workforce” is currently not available. YNAP is making improvements to the data gathering process so these figures may be reported in the coming years.

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	31 DEC 2017			31 DEC 2016		
EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER (No.)	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
ITALY	681	848	1,529	508	558	1,066
UNITED KINGDOM	620	1,182	1,802	634	1,174	1,808
UNITED STATES	400	688	1,088	394	622	1,016
CHINA	9	28	37	11	19	30
JAPAN	12	25	37	8	20	28
HONG KONG	70	136	206	60	115	175
FRANCE	-	-	-	-	3	3
SPAIN	3	1	4	1	1	2
TOTAL	1,795	2,908	4,703	1,616	2,512	4,128

So as to favour work-life balance, YNAP prepares annual part-time work plans for employees who so request. In 2017, 221 employees on permanent contracts worked part time, and 76% of these were women. The personnel at the Italian offices may request supplemental agreements to change their contracts into remote working agreements. In 2017, 27 people took advantage of this option. Priority is typically given to employees on maternity leave or with particular family circumstances. In July 2017, at the Italian offices, YNAP introduced the possibility for certain employees working in business areas deemed most suitable for the development of the pilot project to work in “flexible working” or “smart working” mode on a trial basis, so as to contribute to greater flexibility and autonomy in the selection of workplaces, within a framework of greater accountability and orientation towards results. The “Smart Working Pilot”, governed by a specific procedure which lays out criteria and operating limits, saw the involvement of 285 resources, who will continue to participate in the project until March 31st, 2018. The Company will conduct a precise assessment of the initiative and the feedback received, so as to verify the practicality and convenience of extending the initiative and expanding it to other Group functions and offices.

	31 DEC 2017			31 DEC 2016		
PERMANENT EMPLOYEES BY EMPLOYMENT TYPE AND GENDER (No.)	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
FULL-TIME EMPLOYEES	1,644	2,497	4,141	1,531	2,298	3,829
PART-TIME EMPLOYEES	53	168	221	45	103	148
TOTAL	1,697	2,665	4,362	1,576	2,401	3,977

YNAP selects graduates from the best universities at international level to participate in the YNAP Graduate Programme. For 2017, the programme was focused on the technology area with the selection in September 2017 of 8 graduates who for 12 months were provided with the opportunity to work at the London Tech Hub in a range of roles. Once the programme was completed, the best candidates will have the possibility to be hired by the technology teams based in London and Bologna. For the second year, YNAP collaborated with renowned international Business Schools in the internship programme dedicated to MBA candidates. Starting in June 2017, 14 MBA students worked for eleven weeks on supporting the YNAP teams in the development of strategic projects in the Group’s various offices.

In terms of base salary, the women within the Group in Executive and Senior Leadership positions are paid the same as their male counterparts. YNAP is working transparently to eliminate the slight gap in other categories. In any event, the situation is evolving and better than the typical status quo in the majority of developed countries (see Eurostat statistics on the gender pay gap and the SDG index published by the Sustainable Development Solutions Network and Bertelsmann Stiftung). The most consistent efforts are being made in the Office and Operations Colleagues category. The gap is driven mainly by the different types of function or role held by the genders in these levels, rather than inequality of pay. Hence the focus of YNAP is on targeted actions for a better gender representation in Technology and Operations.

RATIO OF BASIC SALARY OF WOMEN TO MEN BY EMPLOYEE CATEGORY	31 DEC 2017
EXECUTIVE TEAM – SENIOR LEADERSHIP TEAM	100%
SENIOR AND MIDDLE MANAGEMENT	96%
OFFICE AND OPERATIONS COLLEAGUES	91%

Note:

In continuity with 2016, also for the 2017 reporting period, only the base salary has been used for calculations. YNAP will evaluate whether to report the indicator by geographical area and considering total remuneration in the future, also in consideration of the confidentiality of these data.

→ For further information on the breakdown of the governance bodies in terms of diversity, please refer to the Report on Corporate Governance and Ownership Structure.

[GRI indicators: G4-10, G4-LA12, G4-EC6, G4-LA13]

4.2 ATTRACTION AND RETENTION OF TALENT

In its recruiting, YNAP has always been careful to attract the best talent from universities and from amongst candidates with experience in the job market. The selection process is based on meritocracy and transparency in assessing professional skills, personal qualities, competencies and how much candidates meet the technical requirements established for each open position. Flexibility, initiative and a strong predisposition to change, along with specialised skills in the business of new technologies and in the fashion and luxury sector are the aspects given the most weight when hiring new team members. YNAP uses social networking channels such as LinkedIn, Facebook and Instagram to increase awareness and elevate the *brand* amongst potential candidates, advertise job openings and attract the best talent. The recruiting team regularly participates in sector fairs and career days (16 career days in the United Kingdom alone in 2017) in collaboration with various universities and educational institutions, including the University of Bologna, the University of Trento and the Condé Nast Centre of Fashion & Design in Shanghai.

Interest in the Group is confirmed by the ever increasing number of applications received, which amounted to 103,334 in 2017 (marking an increase of 72% compared with 2016).

At the end of 2017, 44% of employees were 30 years of age or younger, compared with 40% in 2016. In this context, in 2017 1,719 new employees joined the Group, while 1,138 left, for a corresponding turnover rate of 24.2%, a slight decline compared with 25.3% in 2016.

Amongst the new employees, we note in particular the strategic insourcing of 227 resources at the Interporto logistics centre, which were previously employed by one of the strategic providers supporting operations. Through this integration process, the Group promoted the improvement of the contractual and economic conditions of the resources concerned.

	31 DEC 2017			31 DEC 2016		
EMPLOYEES HIRED AND WHO LEFT THE GROUP (No.)	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
EMPLOYEES HIRED	615	1,104	1,719	416	720	1,136
EMPLOYEES WHO LEFT THE GROUP	435	703	1,138	397	648	1,045

	31 DEC 2017				31 DEC 2016			
EMPLOYEES HIRED AND WHO LEFT THE GROUP BY AGE (No.)	<30	30-40	41-50	>50	<30	30-40	41-50	>50
EMPLOYEES HIRED	1,067	467	129	56	722	319	60	35
EMPLOYEES WHO LEFT THE GROUP	643	373	87	35	552	398	70	25

	31 DEC 2017							
EMPLOYEES HIRED AND WHO LEFT THE GROUP BY REGION (No.)	ITALY	UNITED KINGDOM	UNITED STATES	CHINA	JAPAN	HONG KONG	OTHER COUNTRIES*	TOTAL
EMPLOYEES HIRED	610	555	426	14	11	100	3	1,719
EMPLOYEES LEAVING THE GROUP	154	557	349	7	2	69		1,138

* The "Other Countries" category includes 3 people hired at the new Dubai office.

	31 DEC 2016							
EMPLOYEES HIRED AND WHO LEFT THE GROUP BY REGION (No.)	ITALY	UNITED KINGDOM	UNITED STATES	CHINA	JAPAN	HONG KONG		TOTAL
EMPLOYEES HIRED	254	495	310	13	6	58		1,136
EMPLOYEES LEAVING THE GROUP	107	533	330	12	1	62		1,045

[GRI indicators: G4-LA1]

4.3 PROMOTING EMPLOYEE ENGAGEMENT AND WELL-BEING

YNAP places great importance on the well-being of its workers, which is why it has committed to aligning its company welfare policies to real employee needs. In the course of 2017, a series of initiatives were conducted to favour team building and employee engagement with company celebrations, cultural events, volunteer opportunities and sports activities (yoga classes, meditation, dance) coordinated by the YNAP Social Teams established at the various offices. With the eight "Kids Days" hosted at the various offices, YNAP also offered recreational activities to the children of its employees, with office visits, games and educational opportunities designed to introduce the little ones to the world of YNAP.

Concrete examples of the Group's focus on work-life balance and flexibility include the introduction of "summer Friday" in 2017 (allowing employees to leave work early in the summer months of July and August) and the launch of the "smart working" pilot project described above at the Italian offices.

Welfare policies and programmes provided to employees include: special arrangements for taking out life insurance and for medical services and hospital stays, insurance coverage for disabilities; parental and maternity leave and leave to provide assistance to family members; paid sick time.

In certain cases, employee benefits are differentiated based on type of employment contract (permanent and fixed-term) and type of employment (full or part-time). In particular, insurance coverage and special arrangements for medical services in Italy are recognised only to employees under permanent contracts. In the United States, the welfare programmes and benefits referred to above are available exclusively to employees under permanent contracts. In China and Hong Kong, benefits are available only to full-time employees. Lastly, in Japan, special arrangements for life insurance are provided only to full-time employees.

All employees are given a personal discount that can be used in the Group's multi-brand online stores.

[GRI indicators: G4-LA2]

4.4 PROFESSIONAL DEVELOPMENT AND TRAINING

Training and development are fundamental to contribute to the professional growth of the entire staff. Employees are able to access a vast range of training tools thanks to the global training offering. The "Learning On Demand" e-learning portal, enhanced in 2017, offers employees unlimited access to videos, content and training materials for skills development. Any employee may register on the portal and participate in an unlimited number of modules. The courses offered cover multiple thematic areas: soft skills, finance skills, customer care and customer satisfaction, project management and leadership.

Since July 2017, there have also been training modules dedicated to Group managers in order to develop "coaching" and resource and working team management capacities and techniques. Lastly, the "Leadership Framework" was implemented with a view to promoting a culture of leadership founded on significant and distinctive management competencies. The first training module provided on the basis of the new framework was launched in November 2017 and will continue for the subsequent 12 months. It is dedicated to the development of management competencies and soft skills for the Online Flagship

Stores business unit. It will gradually be extended to other areas and functions in line with the road-map of the Group's Learning & Development function.

In 2017, a total of 11,937 training hours were provided directly and under the coordination of the Learning & Development function, corresponding to 2.54 hours of training per employee on average. In 2017, 1,831 resources participated in training (of which 677 men and 1,154 women). Please note that the total does not include the 10,400 hours of required workplace health and safety training.

YNAP promotes "on-the-job training", participation in sector conventions and seminars, especially in the area of technology, as well as professional development and certification courses sponsored directly by the Group. The change management processes currently under way will continue to increase the Learning & Development function's involvement in the planning and monitoring of all training activities not directly managed by the Human Resources department.

An e-learning training package dedicated to the SA8000 Standard and its application within the Group was provided to over 221 employees at the Italian offices. Also in this area, the 227 resources insourced at the Interporto logistics centre participated in a five-day training module which covered various areas from workplace health and safety, to the Organisation, Management and Control Model pursuant to Legislative Decree 231/01 and the requirements of the SA8000:Social Accountability Standard, to specific administrative training on how to use HR tools and fill out electronic timesheets.

NUMBER OF HOURS OF TRAINING BY EMPLOYEE CATEGORY AND GENDER	31 DEC 2017		
	MALE	FEMALE	TOTAL
EXECUTIVE TEAM – SENIOR LEADERSHIP TEAM	52	8	60
SENIOR AND MIDDLE MANAGEMENT	1,151	1,681	2,832
OFFICE AND OPERATIONS COLLEAGUES	3,653	5,392	9,045
TOTAL	4,856	7,081	11,937

Note:

Training hours by gender and employment category were reported on only for the year 2017 due to the process of data collection alignment under way in 2016.

YNAP's success continues to depend on the capacity of employees to respect and maintain the utmost performance standards in their respective roles, in line with company objectives.

Effective and bidirectional communications with employees are fundamental to create a high-performance culture hinging on the definition of well-defined individual objectives and on a process of managing and continuously evaluating performance. Therefore, employees and their managers are encouraged to meet periodically during the year to guarantee constant feedback, support, direction and tips for continuous improvement. To favour the professional growth of employees, and in response to the feedback received, the annual performance analysis process, MYPR (My Performance Review), which involves 100% of the Group's employees, was simplified and made uniform across the various offices. To guarantee support and transparency to all employees, a performance management policy was developed to govern all phases of the MYPR process, including with specific performance assessment templates and metrics.

[GRI indicators: G4-LA9, G4-LA11, G4-HR2]

4.5 FOCUS ON HEALTH AND SAFETY

Workplace health and safety management has always been a priority for YNAP, which invests in prevention, training and the dissemination of best behavioural practices.

To ensure compliance with legislation on workplace health and safety, the Group has adopted a Workplace Health and Safety Management System compliant with the BS OHSAS 18001:2007 standard and certified by qualified external entities, which is currently applied in Italy and Japan and integrated within the Workplace Health and Safety Management System compliant with the UNI EN ISO 14001:2004 standard.

The Group intends to extend this certification to the United Kingdom and United States offices as well. Bearing witness to YNAP's strong commitment to the promotion of workplace Health and Safety, in 2017 10,400 hours of training were provided at the offices in Italy, the United States, the United Kingdom and Japan (figure not available for China and Hong Kong). 94 accidents were recorded in 2017. At the United States offices, there were 86 accidents, all minor in nature. Therefore, it was not necessary to define further corrective measures to be integrated within the Safety Management System. No fatal accidents occurred.

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The recording of accidents during commutes is required only by the reference Italian legislation. For the Italian offices, there were 9 commuting accidents.

YNAP undertakes to report on the accident frequency and severity rates, absenteeism rate and the rate of occupational disease starting from 2018. Indeed, change management processes on HR systems and applications, launched in 2017, are currently being finalised. These processes will result in harmonisation at Group level of the recording of the total number of hours worked and working hours and the calculation of accident indexes.

	31 DEC 2017			31 DEC 2016		
INJURIES (No.)	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
ITALY (EXCLUDING INJURIES WHILE COMMUTING)	1	3	4	2	-	2
UNITED KINGDOM	2	2	4	3	7	10
UNITED STATES	26	60	86	22	16	38
HONG KONG	-	-	-	-	1	1
CHINA	-	-	-	-	-	-
JAPAN	-	-	-	-	-	-
TOTAL	29	65	94	27	24	51

	31 DEC 2017		
ABSENTEE DAYS DUE TO INJURIES (Days)	MALE	FEMALE	TOTAL
ITALY (EXCLUDING INJURIES WHILE COMMUTING)	6	28	34
UNITED KINGDOM	30	23	53
UNITED STATES	75	191	266
HONG KONG	-	-	-
TOTAL	111	242	353

[GRI indicators: G4-LA6]

4.6 INDUSTRIAL RELATIONS

YNAP protects and encourages dialogue and collaboration with the trade union organisations on all matters involving the management of human resources and business activities.

In Italy, the national collective bargaining employment contract (trade sector) covers all employees, with the exception of managers, who are subject to the collective contract for managers. In the other countries in which the Group operates, there are no national collective bargaining agreements in force.

For Italy, in 2017 124 employees from the Interporto office were members of the trade unions. They took part in seven hours of union meetings. The only company strike in 2017 lasted for 24 hours, took place during International Women's Day (8 March) and did not regard the company's top management or proposals. The main trade union activities in 2017 regarded the strategic insourcing of 227 resources employed in the digital production segment.

In light of YNAP's business and geographical presence, no activities were identified for which the freedom of association or the right to collective bargaining may be exposed to the risk of violations. Also in consideration of the business and geographical presence of YNAP, no activities exposed to risks associated with child or forced labour were identified.

During the reporting period, there were no cases of discrimination or human rights violations. No complaints were submitted against the company regarding human rights or its impact on society.

As regards working practices, in 2017, 22 reports were submitted by employees in the United Kingdom, where a dedicated policy ("*Grievance Policy*") is applied, 3 of which represented the closure of procedures started in 2016, while 2 were still under analysis at 31/12/2017.

For the majority of the reports, the assessment process coordinated by the Human Resources Department concluded with the non-acceptance or partial acceptance of the disputes reported, and in any event with the absence of subsequent legal actions. Only two reports out of 22 were accepted by the Human Resources Department.

There were 3 reports received in the United States, which concluded with the non-acceptance or partial acceptance of the disputes reported and without any subsequent judicial actions. In Italy, 17 reports were received through the reporting channels ("*speak up line*") implemented as part of the SA8000 Social Responsibility Management System. The Social Performance Team, consisting of representatives of the employees and the management of all certified offices, met three times in 2017 to analyse the reports received and conduct the required verifications to enable the functions concerned to develop the appropriate responses to be published via the company's intranet channel.

In 2017, a single report was received through the whistle blowing channel governed by the dedicated procedure. The report was analysed by the Whistle blowing Committee which submitted specific recommendations to the senior management.

[GRI indicators: G4-11, G4-58, G4-LA16, G4-HR3, G4-HR4, G4-HR5, G4-HR6, G4-HR12]

5. CUSTOMER RELATIONS

5.1 LISTENING AND RESPONDING TO CUSTOMERS

Listening to customers represents one of the main sources of innovation for YNAP and an incentive for continuous improvement. In this regard, the Customer Insight team interacts continuously with the various stakeholders of NET-A-PORTER, MR PORTER, YOOX and THE OUTNET, both customers and others, to favour the integration of their requirements within company strategies and plans. Interaction with customers particularly leverages the presence of a panel of more than 10 thousand customers, for each Group brand, who have agreed to take part in periodic research such as surveys or focus groups. The panels are updated periodically and represent a key tool for testing new ideas. Large-scale market research is also conducted to support strategic projects which the Group has committed to working on, such as buying experience localisation and the definition of acquisition and retention strategies for specific markets.

The "*Voice of the Customer*" (VOC) program is one of the tools used by the Group to constantly improve its services thanks to customer-focused innovation. The program makes it possible to measure customer satisfaction with the main aspects of the buying experience (e.g., during navigation on the website from mobile or other devices; after order receipt) and provide information in support of decision-making processes. In 2017, a series of changes were made to the VOC program with a view to making the sharing of customer feedback and the subsequent analysis of the information collected even simpler. One of the new aspects introduced was the "*Net Promoter Score*" (NPS), an individual metric for measuring customer retention and the buying experience. This metric will be further refined in the coming year, which, inter alia, will make it possible to publish the results of customer satisfaction surveys in future reporting periods. Also in the course of 2017, the possibility was introduced to collect open feedback which is then analysed through advanced text analysis tools.

The results of the analyses conducted are particularly important for the Group, and therefore they are periodically shared with the senior management to identify and prioritise areas for improvement and the relative actions to be undertaken. This structured information sharing process makes it possible to transform customer input into strategic actions, also in support of specific business areas. In 2017, a dashboard was introduced that allows the various teams (e.g., marketing, e-commerce and personal shopping) to analyse customer feedback in relation to their area.

VOC initiatives enable the Group to interact with its customers on a series of priority topics for the business. For the In-Season division, analyses were carried out in 2017 to support the Personal Shopping teams, helping to expand the offer of innovative services to the customer base. In addition, periodic surveys continued in order to align PORTER's editorial content with reader interests and preferences. In the Off-Season area, customer engagement activities regarded in particular surveys relating to the localisation strategy with a view to analysing customer tastes and preferences in local markets. Furthermore, research is carried out to analyse buying behaviours during the summer season or in relation to specific areas, such as accessories.

[GRI indicators: G4-PR5]

5.2 PRODUCT QUALITY, TRANSACTION SECURITY AND DATA PROTECTION

YNAP has implemented structured processes aiming to constantly guarantee and monitor the quality of the products offered in its stores, with a particular focus on compliance with safety and quality standards and requirements and traceability. The quality control guidelines and operating policies which identify the methods, criteria and significant aspects to be monitored

throughout the processing and digitalisation process are continuously updated and improved. Respect for high quality standards, along with continuous improvement in defining and configuring them, has been made possible thanks to the direct and transparent relationship developed over the years with suppliers, designers, brands, manufacturers and distributors.

With reference to responsible procurement, and in particular the protection of animal rights, for all multi-brand stores YNAP undertakes to implement commercial policies excluding all items and accessories manufactured with animal fur, as it participates in the *Fur Free Retailer Program*, supported by the international FFA (*Fur Free Alliance*) coalition.

YNAP buyers are required to follow a specific process to acquire new products. For products that entail a potential risk and may represent a threat to consumer safety (such as electrical materials, sunglasses, cosmetics, etc.), the Group adopts a well-established procedure and operating guidelines that do not allow any product to be made available for sale on the website before compliance with all quality and safety requirements has been confirmed. Before placing an order, the buyers use a formalised check-list to verify that all safety requirements are formally respected, also ensuring that a full technical file is completed for each product. Apparel, bags, shoes and accessories are labelled on the basis of guidelines on shipping differentiated by Group and which make reference to applicable international legislation.

In addition, NET-A-PORTER's certification as a member of the Responsible Jewellery Council (RJC) since 2014 ensures that the jewellery and watches sold primarily in In-Season stores are aligned with international best practices with regard to environmental and social impacts in the procurement of precious metals such as gold and platinum, and respect for human rights and the rights of workers in extraction processes. YNAP is currently working on assessment activities to ensure that the certification will be renewed in 2018 and may be extended to the entire Group.

No cases of non-compliance with regulations and voluntary codes regarding the impacts of products and services on health and safety were recorded in 2017.

Guaranteeing the security of transactions carried out on its sites and protecting its customers' data are of utmost importance to YNAP, which relies on state-of-the-art security systems and standards. In these areas, YNAP guarantees full compliance with data security and protection laws and regulations. The Group has launched a plan to adapt to the requirements of new legislation on data protection introduced by the General Data Protection Regulation (GDPR), which will enter into force in May 2018.

In 2017 there were no incidents of lack of compliance with rules and voluntary codes regarding product supplies and usage. There were no significant complaints in relation to customer privacy violations or the loss of customer data in 2017.

→ More information on the information security and integrity management policies is available in the 'Approach to sustainability' and 'Risk management' sections.

→ For information on the reference market, the business lines (In-Season; Off-Season; Online Flagship Stores) and the main indicators relating to the management of customer relations, please refer to the 'Directors' Report'.

[GRI indicators: G4-PR1, G4-PR2, G4-PR6, G4-PR8, G4-PR9]

6. THE SUPPLY CHAIN

6.1 SUPPLY CHAIN MANAGEMENT

The Group is committed to guaranteeing that working conditions throughout the supply chain are secure, that workers are treated with respect and dignity, that production processes are managed sustainably, and that criteria of legality, propriety, impartiality and competitiveness are applied in all phases of procurement processes: from counterparty selection and qualification, to the definition of purchase conditions, to the activation of supply agreements and the periodic monitoring of supplier conduct, with reference to the provisions set forth in the Code of Ethics, the Model 231 and the Supplier Code of Conduct.

The prevention of child and forced labour, the fight against physical and verbal coercion, as well as the principles of safeguarding the freedom of association and non-discrimination, are the basic elements of the Supplier Code of Conduct, which is inspired by the Universal Declaration of Human Rights and the principles of the International Labour Organisation (ILO). The "Modern Slavery Statement", which YNAP updates every year, provides detailed information on the policies and contractual terms currently applied to its suppliers. To ensure that it is disclosed and distributed to all parties concerned, it may be viewed online at www.ynap.com.

Procurement relating to the YOOX brand for 2017 was guaranteed by an international portfolio of 2,409 direct suppliers. More than 67% of the suppliers are Italian, while 28% are European (including the United Kingdom), 2% are companies registered in the United States and the remaining 3% are from non-EU countries other than the United States. Bearing witness to the YNAP Group's contribution to the economic growth of its reference communities, with regard to the YOOX division more than 82% of purchases are made from Italian suppliers.

NET-A-PORTER, MR PORTER and THE OUTNET have a total of 1,203 active direct suppliers. For NET-A-PORTER, MR PORTER and THE OUTNET, 24% of suppliers are British, 41% are American and 11% are Italian.

The change management processes launched in 2017 on the supplier management system and applications are still under way. These changes will make it possible to report on the percentage spent on local suppliers for the most significant operational sites, including for the other stores owned by the Group.

Purchases of goods and services not intended for sale, such as: transport, publishing, customer care, marketing, office management and technology, have been managed since 2017 with the support of a portal dedicated to indirect procurement and are governed by the reference procedure applied at Group level for the acquisition of indirect goods and services.

The portal guarantees traceability, timeliness and transparency in commercial dealings, and calls for all indirect suppliers to be subjected to an accreditation and qualification process managed through the collection and analysis of significant information that can be used to identify commercial, employment, occupational health and safety, environmental and legal profiles, evaluated in relation to the strategic relevance for YNAP of each counterparty as well as their materiality and inherent risk. The accreditation process also calls for suppliers to sign the Supplier Code of Conduct, which makes reference to and supplements the provisions and principles contained in the Code of Ethics, the Organisation, Management and Control Model pursuant to Legislative Decree 231 of 2001 and the SA8000 social responsibility management system.

YNAP reserves the right to conduct third-party controls on an increasing number of strategic suppliers or on those whose activities and strategic nature entail greater inherent risk for the Group.

In the course of 2017, third-party controls were conducted under the coordination of the Own Label Department with reference to the SA8000 standard, on 14 Italian suppliers of the main Off-Season own label (this brand has a total of 52 suppliers located primarily in Italy).

Overall, the controls did not bring to light any risks relating to the violation of SA8000 Social Responsibility requirements.

In addition to new supplier audits, a total of 8 operational and document-based follow-up activities were conducted on suppliers already audited in 2016 to check for their adoption of the improvement actions suggested.

Also in 2017, with the support of the Group Risk Manager, Off-Season own label supply chain mapping was initiated by sending a structured self-assessment questionnaire, the results of which were analysed by the Own Label Department to classify suppliers on the basis of their potential degree of risk and strategic level, also in order to develop a structured plan of audits to be carried out. In detail, 105 questionnaires were sent and the response rate was 55%.

In light of YNAP's business and geographical presence, no activities or suppliers currently subject to audit activities were identified for which the freedom of association, the right to collective bargaining or the use of forced or child labour may be exposed to risks.

In 2017, the supply chain management structure and methods did not change considerably with respect to the previous year. In 2018, also in light of a potential strategic streamlining in the number of counterparties used for the creation of own labels, supply chain risk mapping and assessment activities will be further consolidated and integrated within the Group's Enterprise Risk Management Model.

YNAP continues to transparently and proactively interact with its suppliers; thanks to the support of qualified, independent auditors, it suggests plans for improvement which are subjected to periodic monitoring, while in any event reserving the unquestionable right to withdraw from contracts if repeated and serious violations by the counterparties are confirmed of the ethical, integrity, fairness and human rights standards that YNAP considers essential in the management of relations with all of its suppliers.

[GRI indicators: G4-12, G4-13, G4-EC9, G4-HR4, G4-HR5, G4-HR6, G4-HR11, G4-LA15, G4-SO10, G4-EN33]

7. RELATIONS WITH THE COMMUNITY

7.1 SUPPORT FOR THE GENERAL PUBLIC AND LOCAL COMMUNITIES

In line with the Group's sustainability strategy and vision, YNAP is committed to leading the development of its sector, favouring and promoting listening and valuing the requests coming from the general public and the communities. At corporate level as well as through its brands, YNAP fosters the development of collaborations with Non-Governmental Organisations and Non-Profit Entities to organise events, exhibitions, communications projects and even special sales and pop-up stores on its owned websites to finance scientific and disclosure initiatives in addition to humanitarian programs and programs for the benefit of disadvantaged communities.

In January 2017, YNAP became a member of the "Digital Skills and Jobs Coalition established by the European Commission" with a view to providing digital sector training to 1 million young people by 2020. With the conviction that businesses also share the responsibility of providing society with concrete responses to support the increasing demand for digital/STEM skills, YNAP has developed a structured approach to education in collaboration with academic institutions and philanthropic

foundations which covers the entire educational life cycle, from primary school to university and advanced training courses. During the “Digital Week” and “Hour of Code 2017” global events, thanks to the now consolidated partnership with Golinelli Foundation and Imperial College, YNAP organised a series of free training activities and workshops in Bologna, Milan and London, dedicated to nursery, primary and lower and upper secondary schools on digital topics: from robotics to visual coding, from cryptography to IT programming, from virtual reality to design-thinking, contributing to training and promoting digital education amongst more than 1,400 young people, with a particular focus on the participation of girls and disadvantaged young people. In the course of 2017, YNAP also strengthened its support to the Elisa Sednaoui Foundation, participating in the launch of the “Funtasia in Italia” project with a view to offering educational and cultural programs to needy children.

The Group has always been committed to promoting and valuing young talents taking their first steps in the world of fashion and design. In collaboration with the Parsons School of Design in New York, YNAP offered the possibility to a young designer who won the YOOXYGEN AWARD 2017 to create an eco-friendly collection promoting sustainable fashion, sold exclusively by YOOX starting in January 2018.

As regards the initiatives supporting female empowerment through fashion, again in 2017 The Outnet continued with its collaboration with the British non-profit Smart Works, to help women in difficulty enter the world of work. With reference to the protection of the planet and the environment, during the 2017 Earth Day, YOOX launched the “Loves the Reef” charity initiative which entailed the creation of a capsule collection of costumes sold exclusively on YOOXYGEN, the YOOX area dedicated to responsible fashion, the proceeds from which were donated to support, protect and restore the Great Barrier Reef in Australia, one of the seven wonders of the modern world.

MR PORTER’s commitment to supporting the Father and Son Day initiative continues, encouraging men to speak openly about themselves, their bodies and illness. The proceeds are sent to The Royal Marsden cancer research centre in the United Kingdom. The activities promoted by NET-A-PORTER include a fundraising event in favour of childhood cancer research and treatment for the Society of Memorial Sloan Kettering organisation. In addition, an event was organised in support of GOOD+Foundation, followed by a campaign for collecting clothing and books for children, which are donated by customers who use the Premier service. An additional initiative through NET-A-PORTER’s collaboration with Gabriela Hearst made it possible to support fundraising for Save The Children. NET-A-PORTER also sponsored the ‘Heart Fabulous Fund Fair’ initiative promoted by Natalia Vodianova in London and New York, with a view to offering free services to people with disabilities and special needs.

7.2 RELATIONS WITH ORGANISATIONS, INSTITUTIONS AND ASSOCIATIONS IN THE INDUSTRY

The management of relations with entities, institutions, non-profit organisations, trade associations and representatives of the Public Administration is distinguished by the utmost transparency and the highest standards of integrity, in compliance with all applicable domestic and international laws and regulations.

With respect to contributions to political parties/institutions, the Group takes the approach of not financing parties and/or election campaigns and programs of political representatives or public officials.

The YNAP Group adheres to the ten principles of the Global Compact, the United Nations program that promotes sustainable business growth. Also through its participation in the Global Compact, YNAP confirms its commitment to guaranteeing respect for human and workers’ rights, environmental protection and the fight against corruption through its strategic vision, the corporate culture and its everyday activities.

YNAP also participates in RE100, an international program aiming to increase companies’ use of renewable energy and which encourages participating companies to fully cover their energy needs with energy from renewable sources by 2020. In 2017, 37% of YNAP’s energy consumption was generated by sources with low carbon dioxide emissions (35% in 2016).

YNAP is a member of the Responsible Jewellery Council (RJC), an international initiative for responsible procurement in the jewellery sector. The objective is to extend the certification to the entire YNAP Group in the first half of 2018.

Lastly, again in 2017 the Group participated in the Parks – Liberi e Uguali Association, a non-profit organisation that helps partner companies to develop business strategies and best practices that respect diversity, with a particular focus on the inclusion of the LGBT community.

The Group places particular emphasis on consolidating partnerships and relations with the main trade associations: including the British Walpole association, which brings together 170 British luxury brands, and the Altgamma Foundation, for the promotion of excellent Italian products which best represent the quality of the “Made in Italy” label.

With the “Transforming our World: The 2030 Agenda for Sustainable Development” program, the United Nations announced its Sustainable Development Goals to guarantee respect for the human rights of every individual, gender equality and independence for all women. YNAP seeks to promote the Sustainable Development Goals by recognising their importance for its activities and aligning its sustainability strategy and vision with them, with concrete projects and initiatives to be carried out in the medium and long term.

[GRI indicators: G4-15, G4-16]

7.3 ECONOMIC VALUE DIRECTLY GENERATED AND DISTRIBUTED

The values reported below provide an indication of the Group's capacity to generate wealth and distribute it to its reference stakeholders. In compliance with the GRI guidelines, the statement below distinguishes between three types of economic value: generated, distributed and retained.

ECONOMIC VALUE GENERATED AND DISTRIBUTED (EURO THOUSANDS)	31 DEC 2017	31 DEC 2016
ECONOMIC VALUE GENERATED BY THE GROUP	2,181,650	1,941,924
REVENUES	2,091,040	1,870,706
OTHER INCOME	106,165	70,954
FINANCIAL INCOME	1,855	1,299
VALUE ADJUSTMENTS TO FINANCIAL ASSETS	262	371
WRITE-DOWN OF RECEIVABLES	-	-
EXCHANGE RATE DIFFERENCES	(18,631)	(1,406)
PROCEEDS FROM THE SALE OF TANGIBLE AND INTANGIBLE ASSETS	959	-
ECONOMIC VALUE DISTRIBUTED BY THE GROUP	(2,050,624)	(1,815,711)
OPERATING COSTS	(1,797,180)	(1,544,944)
EMPLOYEE COMPENSATION	(241,094)	(251,820)
PAYMENTS TO LENDERS	(4,162)	(3,733)
PAYMENTS TO INVESTORS	-	-
PAYMENTS TO GOVERNMENT AUTHORITIES (1)	(7,885)	(15,068)
GIFTS TO THIRD PARTIES	(303)	(146)
ECONOMIC VALUE RETAINED BY THE GROUP	131,026	126,213
DEPRECIATION AND AMORTIZATIONS	(111,426)	(91,170)
PROVISIONS	(2,338)	(1,113)
RESERVES (2)	17,261	33,930

(1) Payments to government authorities include deferred taxes

(2) For 2017, the amount was estimated on the basis of the proposed allocation of profits

[GRI indicators: G4-EC1]

8. YNAP AND THE ENVIRONMENT

8.1 MATERIALS AND PACKAGING

YNAP has chosen to adopt and develop a purchasing policy that calls for compliance with environmental sustainability criteria in the procurement of paper and cardboard. Paper is consumed primarily in connection with the publication of the "Porter Magazine" and "MR PORTER Post" magazines. Cardboard consumption is associated with the packaging used for shipments to customers. In 2017, following the completion of suitable change management processes on systems and applications, it was possible to expand reporting on the materials used by the Group by including other types of materials such as plastic, polypropylene and polyester. A range of targeted initiatives are currently under way to make the use of materials in the various activities carried out by the Group increasingly efficient. With reference to the Off-Season business line, in 2017 two environmental impact streamlining projects were launched. A pilot project was carried out to reduce the paper used for printing packing slips, which will make it possible to save roughly 1 and a half million sheets of A4 paper. With reference to

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the Asia Pacific area, hard-copy invoices are currently being replaced with electronic invoices, which will ultimately reduce the use of printed paper by roughly 60% throughout the area.

YNAP has also launched a series of projects to favour the adoption of sustainable packaging practices. For Off-Season distribution, new smaller sized boxes were introduced which will make it possible to optimise packing material space and, as a result, reduce the materials used. In addition, specific projects and initiatives are under discussion with the objective to reduce the use of cardboard and paper used for the packaging for the In-Season business line.

CARDBOARD CONSUMPTION (TONS)	31 DEC 2017	31 DEC 2016
PAPER AND CARDBOARD	5,422	4,060
PLASTIC	374	N/A
POLYPROPYLENE	247	N/A
POLYESTER	44	N/A
COTTON	9	N/A

NB:

The data relating to cardboard for shipments have been estimated on the basis of the number of boxes used for the shipments (including, when applicable, stickers, shopping bags and packing slips) of all multi-brand online stores (In-Season and Off-Season), the Online Flagship Stores and for deliveries to peripheral warehouses. Internal boxes were included only when directly acquired from YNAP.

The consumption of paper and cardboard for the shipments of Mi Shang Trading Co. Ltd, YOOX Japan and YOOX Asia Ltd is excluded from the reporting scope for the year 2016, but it was reported for 2017.

PAPER CONSUMPTION (TONS)	31 DEC 2017	31 DEC 2016
A4 PAPER	48	21
A3 PAPER	2	2
PAPER CONSUMPTION FOR "PORTER MAGAZINE" AND "MR PORTER POST"	1,538	2,116
TOTAL	1,588	2,139

NB:

Almost all of the paper consumed at the offices is FSC or ECOLABEL/PEFC.

All of the paper used for "Porter Magazine" and "MR PORTER Post" is PEFC or FSC certified.

For the year 2017, paper consumption at the offices of Mi Shang Trading Co. Ltd, YOOX Japan and YOOX Asia Ltd is excluded from the reporting scope.

For the year 2016, paper consumption at YNAP Corporation, Mi Shang Trading Co. Ltd, YOOX Japan, YOOX Asia Ltd The NET-A-PORTER Group China Limited and The NET-A-PORTER Group Asia Pacific Limited is excluded from the reporting scope.

[GRI indicators: G4-EN1]

8.2 ENERGY MANAGEMENT

The Group is committed to promoting initiatives to maximise energy savings and efficiency. Air conditioning and the lighting of buildings, in addition to the management of automated systems at the logistics centres and the cooling of data centres, represent the main source of energy consumption.

YNAP defines the approach and policies for the management of these aspects in the Environmental Management System adopted by the Group in 2013 and certified pursuant to the ISO 14001:2004 standard for Italy and Japan. The Group intends to extend this certification to the United Kingdom and United States offices as well. YNAP has also undertaken a process of certifying the Energy Management System in accordance with the ISO50001 standard, which should be completed for the Italian offices by 2019.

In the various offices, projects continued in 2017 for the implementation of building management systems (BMS) to monitor energy consumption and the lighting network, temperature control and building humidity.

With the awareness that efficient consumption management generates environmental and economic benefits, YNAP has developed initiatives ranging from promoting and sharing best practices to economic investments for the implementation of more eco-friendly technical and energy solutions such as the installation of LED lighting systems equipped with movement sensors and dimmers at the offices and cooling systems in the server rooms (server farm installed at the Interporto warehouse) and free cooling, which makes it possible to exploit room temperature air and groundwater to cool servers.

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In 2017, to promote energy efficiency across all of its offices, the Group committed to respecting the highest standards for the design and creation of new infrastructure such as the London Tech Hub inaugurated in June 2017 and the new logistics centre completely dedicated to In-Season not far from Milan, which will begin operating in 2018, and the improvement of spaces at the Interporto logistics centre (Bologna). Due to this commitment, the Group has obtained the “excellent” (the second highest out of five) Building Research Establishment Environmental Assessment Method (BREEAM) certification for the Interporto centre segment 15.1, while the certification process is ongoing for segment 15.2 as well. YNAP is also working towards achieving certification under the BREEAM with an “excellent” rating level for the new In-Season hub in Milan. In addition, solar panels were installed at the new In-Season hub in Milan to generate electricity for self-consumption.

To reduce carbon dioxide emissions and decrease dependence on fossil fuels, the Group is committed to fully covering its energy needs with renewable sources by 2020. This commitment is also confirmed by its participation in the RE100 international campaign launched worldwide in 2014 by The Climate Group and CDP.

With this in mind, YNAP is reviewing its agreements with energy suppliers. In particular, in November the call for bids was concluded for the provision of electricity and gas for the Zola Predosa offices and for the new In-Season hub in Milan, while in February 2018, all electricity purchased for segment 15.1 of the Interporto logistics centre will be “green”. In 2018, the possibility of purchasing electricity from renewable sources will be evaluated for the Group’s offices abroad.

At Group level, the portion of electricity from renewable sources with respect to the total directly consumed rose from 35% in 2016 to 37% in 2017. Against an overall increase in energy consumed (roughly 9% for gas volumes and 20% for electricity), associated with the increase in shipments, the share of consumption deriving from sources certified as 100% renewable rose more than that deriving from non-certified sources (25% compared to 17%), demonstrating the commitment made to entering into supply agreements that guarantee green procurement sources.

ENERGY CONSUMPTION - NATURAL GAS (CUBIC METRES)	31 DEC 2017	31 DEC 2016
NATURAL GAS (CONSUMPTION FOR HEATING)	368,594	338,702

Note:

Natural gas consumption refers to the offices where it is used for heating: YNAP S.p.A. (Milan, Zola Predosa, Interporto); NET-A-PORTER Group Ltd (DC1); YNAP Corporation (DC2, Clifton logistics centres).

ENERGY CONSUMPTION - ELECTRICITY (KWH)	31 DEC 2017	31 DEC 2016
TOTAL ELECTRICITY PURCHASED	25,150,840	20,982,856
OF WHICH:		
FROM RENEWABLE SOURCES	9,185,526	7,329,542
FROM NON-RENEWABLE SOURCES	15,965,314	13,653,314

Note:

With respect to 2017, the consumption of electricity for the new In-Season hub in Milan (DC4) logistics centre relating to the months of November and December and that relating to the second half of the year for the London Tech Hub was estimated.

[GRI indicators: G4-EN3, G4-EN19]

8.3 WATER CONSUMPTION

YNAP promotes the responsible management of daily water use at its operational sites, although they represent only a small percentage of the Group's overall environmental impact. The majority of the water used by the Group comes from the municipal water network and it is mainly used for restroom facilities. Water consumption rose primarily due to the opening of the new London Tech Hub and the new In-Season hub in Milan as well as the expansion of the Interporto logistics centre.

CONSUMPTION OF WATER (CUBIC METRES)	31 DEC 2017	31 DEC 2016
WATER FOR ORDINARY CONSUMPTION	35,603	26,408

Note:

The Group is making an effort to expand the water consumption reporting scope. For the year 2017, water consumption was excluded for the CD1 segment of the Bologna Interporto logistics centre, the temporary offices on Viale Masini (BO) and the new In-Season hub in Milan (DC4) logistics centre; the Manhattan offices and the Clifton logistics centre; the Hong Kong offices (The NET-A-PORTER Group Asia Pacific Limited); the Shanghai offices (The NET-A-PORTER Group China Limited), YOOX Japan (offices and logistics centre) and the London Tech Hub. For the year 2016, the consumption of water by Mi Shang Trading Co. Ltd, YOOX Japan, YOOX Asia Ltd, The NET-A-PORTER Group China Limited, YNAP Corporation for the Manhattan office, The NET-A-PORTER Group Asia Pacific Limited for the Hong Kong office and The NET-A-PORTER Group Ltd for DC1 and Network House was excluded from the reporting scope.

[GRI indicators: G4-EN8]

8.4 EMISSIONS

YNAP measures carbon dioxide emissions to quantify the impact of its activities and identify methods for reducing their direct and indirect effects and optimising energy efficiency.

The focus areas identified by YNAP to reduce emissions with targeted projects and initiatives include for example employee mobility, Premier Delivery distribution and emissions offset programs:

- The 'mobility management program' is aimed at optimising commuting and improving employee quality of life by promoting car pooling and car sharing and improving business travel (for example by enhancing the company shuttle service, with the company car fleet consisting entirely of hybrid vehicles and through the use of Bluemotion technology).
- YNAP is committed to optimising the direct shipping system relying on the fleet of Premier Delivery vans to guarantee the most effective management of deliveries by optimising routes, thus decreasing mileage and fuel consumption. This initiative was made possible by Premier driver training programs and the implementation of smart navigation software.
- YNAP encourages telecommuting and flexible working models (smart working) to reduce employee travel. The Group provides employees working remotely with the technological tools required to participate in video conferencing, web meetings, etc.
- Again in 2017 (January-July 2017), YNAP participated in the DHL GOGREEN program, measuring and reducing carbon dioxide emissions deriving from shipping and offsetting emissions through investments and projects to protect the climate. The program regarded part of the shipments that DHL makes for the Group, particularly intra-group shipments between the Interporto and Hong Kong logistics centres. DHL manages the offset program on its international air transport service and calculates emissions on the basis of the exact weight of the packages sent and the distance covered.

YNAP is committed to constantly improving emissions monitoring; particularly with regard to ozone-depleting substances associated with air conditioning systems, monitoring activities have been launched to allow for more extensive reporting in future years.

Direct GHG emissions (Scope 1)

Scope 1 includes direct greenhouse gas emissions which for YNAP are emissions generated by the following sources:

- Natural gas for heating;
- Diesel and petrol for the company's owned Premier Delivery fleet used for In-Season deliveries in London, Manhattan, Connecticut and Hong Kong;

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- Diesel and petrol for the fleet of hybrid electric vehicles assigned to the senior management and a limited number of cars that may be used for car pooling by all employees at the Italian offices.

The increases in emissions are linked to the opening of new Group operating sites such as the London Tech Hub and the new In-Season hub in Milan, the enhancement of spaces at the Interporto logistics centre and the general increase in volumes sold.

TOTAL DIRECT EMISSIONS (TONS OF CO ₂)	31 DEC 2017	31 DEC 2016
NATURAL GAS (CONSUMPTION FOR HEAT)	771	686
PREMIER DELIVERY	883	688
COMPANY FLEET FOR SR. MANAGEMENT (ITALY ONLY)	187	179
TOTAL	1,841	1,553

Note:

The data relating to natural gas are based on direct energy consumption reported in the "Energy consumption - natural gas" table. To calculate CO₂ emissions, the following conversion factors were used: 2.092 kg CO₂/m³ for natural gas, 2.188 kg CO₂/m³ for petrol and 2.578 kg CO₂/m³ for diesel (source: GHG Reporting - Conversion factors 2017 - Department for Business, Energy & Industrial Strategy).

Energy indirect GHG emissions (Scope 2)

Scope 2 regards CO₂ emissions generated by the purchase of electricity.

In line with the updates laid out in the new version of the "GHG Protocol Scope 2 Guidance – An amendment to the GHG Protocol Corporate Standard" guidelines, YNAP has calculated Scope 2 emissions adopting the 'dual reporting approach' based on the following methodologies:

Location-based method: emissions are calculated on the basis of average emission factors of the national procurement networks;

Market-based method: emissions are calculated on the basis of emission factors defined on a contractual basis with electricity suppliers. Lacking specific contractual information in line with the Quality Criteria set forth in the GHG Protocol, YNAP used the 'residual mix' emission factors to calculate emissions associated with the consumption of non-renewable energy at the Italian and United Kingdom offices. On the other hand, for the renewable portion (again with respect to Italy and the United Kingdom) GO Certificates were used, resulting in the offsetting of the relative emissions (more than 3,600 tonnes of CO₂). For all of the other Group offices, national average factors were used in line with what was reported for the location-based method. YNAP intends to refine the 'market-based' calculation methodology by dialoguing with its energy suppliers to identify specific emission factors.

The new supply agreements and renegotiations carried out in 2017 made it possible to limit the increase in emissions deriving from non-renewable sources, so much so that, compared with 2016, the emissions calculated through the market-based method rose by 4% compared to 13% calculated with the location-based method.

LOCATION-BASED METHOD

TOTAL INDIRECT EMISSIONS (TONS OF CO ₂)	31 DEC 2017	31 DEC 2016
ELECTRICITY PURCHASED	11,028	9,778

NB:

These data are estimated based on the data reported in the "Energy consumption - electricity" table. To calculate CO₂ emissions, the following coefficients were used: Italy (0.39899 kg CO₂/kWh), United Kingdom (0.34885 kg CO₂/kWh), United States (0.49845 kg CO₂/kWh), Japan (0.52941 kg CO₂/kWh), Hong Kong and China (0.76969 kg CO₂/kWh). Sources: for Italy, the United States, Japan, Hong Kong and China "Greenhouse gas Reporting - Conversion factors 2015", Dept. Of Energy & climate Change (UK); for the United Kingdom "Greenhouse gas Reporting - Conversion factors 2017", Dept. Of Energy & climate Change (UK).

MARKET-BASED METHOD:

TOTAL INDIRECT EMISSIONS (TONS OF CO ₂)	31 DEC 2017	31 DEC 2016
ELECTRICITY PURCHASED	7,960	7,135

NB:

These data are estimated based on the data reported in the "Energy consumption - electricity" table. The values of indirect CO₂ emissions deriving from electricity purchased were calculated based only on the consumption of electricity from non-renewable sources.

To calculate CO₂ emissions, the following coefficients were used: United States (0.49845 kg CO₂/kWh), Japan (0.52941 kg CO₂/kWh), Hong Kong and China (0.76969 kg CO₂/kWh). Source: "Greenhouse gas Reporting - Conversion factors 2015", Dept. Of Energy & climate Change (UK).

Emission factors relating to the residual mix were used for Italy (0.46511 kg CO₂/kWh) and for the United Kingdom (0.39053 kg CO₂/kWh). Source: "European Residual Mixes 2016", Association of issuing Bodies, version 1.2, June 15th 2017.

Indirect greenhouse gas emissions (Scope 3)

Scope 3 includes emissions which, although they are linked to the Group's core business, are not directly controlled by YNAP. These include the following categories:

Emissions from the electricity consumption of strategic partners

Thanks to its partnership with strategic suppliers operating at the Interporto logistics centre, YNAP has started reporting on greenhouse gas emissions deriving from electricity consumption relating to the activities that the providers carry out on its behalf.

TOTAL INDIRECT EMISSIONS DERIVING FROM CONSUMPTION OF STRATEGIC PROVIDERS (TONS OF CO ₂)	31 DEC 2017	31 DEC 2016
ELECTRICITY PURCHASED	1,140	923

Note:

The emission values were calculated based on electricity consumption relating to the Interporto logistics centre segments directly managed by YNAP's strategic providers. The following coefficients were used: Italy (0.39899 kg CO₂ /kWh). Source: 'Greenhouse gas reporting - Conversion factors 2015' - Department of Energy & Climate Change (UK).

Emissions from deliveries

YNAP monitors and reports on the environmental impacts connected to product shipments to final customers, which represent the main source of indirect atmospheric emissions.

TOTAL INDIRECT EMISSIONS FROM DELIVERIES (TONS OF CO ₂)	31 DEC 2017	31 DEC 2016
TOTAL EMISSIONS	51,430	55,084

Note:

Indirect emissions from deliveries of goods were calculated on the basis of reports provided directly by the carriers used by the Group. The majority of indirect emissions from the transport of goods refer to shipments managed by UPS and DHL.

Environmental impacts of employee travel

The environmental impacts of the mobility of YNAP personnel are connected in large part to emissions for air travel, while the impacts of railway mobility are more limited, consistent with the Group's international presence and localisation as well as travel needs, including those arising following the merger. The Group's Mobility department is working to spread a corporate culture that privileges the use of the video conferencing system (upgraded in 2017) and incentivises flexible working (smart working / telecommuting).

In addition to the environmental impacts deriving from air and railway travel, there are also impacts connected to the use by personnel of personal vehicles for business trips. In the future, the Group intends to extend the reporting scope to this emission type as well.

Thanks to the Jojob car pooling initiative, in 2017 it was possible to cut CO₂ emissions by roughly 1.3 tonnes, relating to more than 18,000 kilometres travelled with 940 trips made in car-sharing mode.

Lastly, at the Zola Predosa offices and the Interporto logistics centre, a company shuttle service is available to employees. In the course of 2017 the routes and the number of daily trips were improved to adjust to the hours and working needs of employees, while privileging forms of sustainable mobility over the use of cars.

TOTAL INDIRECT EMISSIONS FROM BUSINESS TRAVEL (TONS OF CO ₂)	31 DEC 2017	31 DEC 2016
AIR TRAVEL	4,008	2,547
RAILWAY TRAVEL	33	31

Note:

Direct emissions from business travel were calculated based on kilometres travelled by air and railway reported by the travel agencies that work in partnership with YNAP.

To calculate emissions of CO₂ equivalent from air travel, specific coefficients were used for the various "domestic", "short-haul" and "long-haul" categories for each travel class; to calculate CO₂ emissions from railway travel, the coefficient relating to the 'international rail' category was used (source: 'Greenhouse gas reporting – Conversion factors 2017' – Department for Business, Energy & Industrial Strategy (UK)).

[GRI indicators: G4-EN15, G4-EN16, G4-EN17, G4-EN20]

8.5 WASTE MANAGEMENT

YNAP's waste derives primarily from packaging and office materials. The Group promotes best environmental practices amongst its employees by supplying the offices with bins and containers for the proper disposal of waste and recyclable materials. YNAP also incentivises the recycling and reuse of electronic and IT Equipment through donations of computers, mobile phones and other devices to schools and non-profit associations.

A total of 2,468 tonnes of waste was generated in 2017, marking a decline compared with the previous year (-5%). 68% of the waste generated is related to paper and cardboard used for shipping. Disposal methods were determined on the basis of information provided by waste disposal operators.

Nearly all waste in 2017 (roughly 99.9%) was sent for recycling, compared with 86% in the year 2016; only 2 tonnes were sent to the landfill.

TYPE OF WASTE (TONS)	31 DEC 2017	31 DEC 2016
NON-HAZARDOUS WASTE	2,465	2,586
PAPER AND CARDBOARD PACKAGING	1,686	1,650
PLASTIC	77	72
WOODEN PACKAGING / WOOD	217	200
OTHER	485	664
HAZARDOUS WASTE	3	3
TOTAL	2,468	2,589

NB:

For the year 2017, the reporting scope did not include the waste generated at the offices in Italy, the Clifton logistics centre (YNAP Corporation), the London Tech Hub, the Hong Kong offices and logistics centre (The NET-A-PORTER Group Asia Pacific Limited and YOOX Asia Limited), the Shanghai offices and logistics centre (MiShang Trading Co. Ltd and The NET-A-PORTER GroupChina LTD.) or the Tokyo offices and logistics centre (YOOX Japan).

With reference to the waste generated in 2016, Mi Shang Trading Co. Ltd, YOOX Japan, YOOX Asia Ltd, The NET-A-PORTER Group China Limited, YNAP Corporation for the Clifton distribution centre, The NET-A-PORTER Group Asia Pacific Limited for the Hong Kong office and NET-A-PORTER Group Ltd for Westfield were excluded from the reporting scope (only "confidential paper" was included).

The data regarding the Italian offices do not include the quantities of waste managed by local municipal companies.

'Hazardous waste' primarily includes toner and electronic equipment. The "other" category includes the disposal of mixed recyclable packaging, metal and generic waste.

[GRI indicators: G4-EN23]

9. GRI INDEX

GENERAL STANDARD DISCLOSURES	Page	External Assurance
Strategy and analysis		
G4-1 - Statement from the most senior decision-maker of the organisation	p. 5-6	✓
Organisational profile		
G4-3 - Name of the organisation	p. 12; p. 108	✓
G4-4 - Primary brands and services	p. 68-70; p. 108	✓
G4-5 - Location of the organization	p. 108; p. 152	✓
G4-6 - Countries of operation	p.12; p. 108	✓
G4-7 - Legal form	p. 12; p. 108	✓
G4-8 - Markets served	p.67; p. 108	✓
G4-9 - Scale of the organisation	p. 12; p. 75; p. 90; p. 116; p. 169	✓
G4-10 - Number of employees	p. 115-117	✓
G4-11 - Employees covered by collective bargaining agreements	p. 121-122	✓
G4-12 - Organisation's supply chain	p. 123-124	✓
G4-13 - Significant changes to the organisation's size, structure, ownership or supply chain	p. 123-124; p. 138-139	✓
G4-14 - Precautionary approach	p. 112-115	✓
G4-15 - Economic, environmental and social charters, principles or other initiatives	p. 125	✓
G4-16 - Memberships of associations and national or international advocacy organisations	p. 125	✓
Material aspects and boundaries		
G4-17 - Entities included in the organisation's consolidated financial statements or equivalent documents	p. 104-105; p. 152	✓
G4-18 - Process for defining report content and aspect boundaries	p. 105-107	✓
G4-19 - Material aspects identified in the process for defining report content	p. 105-107	✓
G4-20 - Boundaries within the organisation	p. 105-107	✓
G4-21 - Boundaries outside the organisation	p. 105-107	✓
G4-22 - Restatements of information provided in previous report	p. 104-105	✓
G4-23 - Significant changes in scope and boundaries from previous reporting	p. 104-105	✓
Stakeholder engagement		
G4-24 - Stakeholder groups identified and engaged	p. 105-107	✓
G4-25 - Basis for identification and selection of stakeholders	p. 105-107	✓
G4-26 - Approach to engagement	p. 105-107	✓
G4-27 - Key topics and concerns raised	p. 105-107	✓
Report profile		
G4-28- Reporting period, date of previous report and	p. 104-105	✓
G4-29 - Date of previous report	p. 104-105	✓

GENERAL STANDARD DISCLOSURES	Page	External Assurance
G4-30 - Reporting cycle	p. 104-105	✓
G4-31 - Contact point for questions regarding the report	Sustainability team of YNAP Group at sustainability@ynap.com	✓
G4-32 - "In accordance" option	p. 104-105	✓
G4-33 - External assurance	p. 104-105; p. 229	✓
Governance		
G4-34 - Governance structure of the organisation	p. 11;108	✓
G4-39 - Report whether the Chair of the highest governance body is also an executive officer	p. 11;108	✓
G4-48 - Report the highest committees or position that formally reviews and approves the sustainability report	p. 48	✓
Ethics and integrity		
G4-56 - Values, principles, standards and norms of behaviour	p. 108-109	✓
G4-58 – Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour	p. 121-122	✓
GENERAL STANDARD DISCLOSURES		
Economic		
ECONOMIC PERFORMANCE		
DMA; G4-EC1 - Direct economic value generated and distributed	p. 126	✓
MARKET PRESENCE		
DMA; G4-EC6 - Proportion of senior management hired from the local community	p. 115	✓
PROCUREMENT PRACTICES		
DMA; G4-EC9 - Proportion of spending on local suppliers at significant locations of operation	p. 123-124	✓
Environment		
MATERIALS		
DMA; G4-EN1 - Materials used	p. 126-127	✓
ENERGY		
DMA; G4-EN3 - Energy consumption within the organisation	p. 127-128	✓
WATER		
DMA; G4-EN8 - Total water withdrawal by source	p. 129	✓
EMISSIONS		
DMA; G4-EN15 - Direct greenhouse gas (GHG) emissions (Scope 1)	p. 130-131	✓
G4-EN16 - Indirect greenhouse gas (GHG) emissions (Scope 2)	p. 130	✓
G4-EN17- Other indirect greenhouse gas (GHG) emissions (Scope 3)	p. 131-132	✓
G4-EN19 - Reduction of GHG emissions	p. 129-132	✓
G4-EN20 - Emissions of ozone-depleting substances (ODS)	p. 129	✓
EFFLUENTS AND WASTE		

GENERAL STANDARD DISCLOSURES	Page	External Assurance
DMA; G4-EN23 - Total weight of waste by type and disposal method	p. 132	✓
SUPPLIER ENVIRONMENTAL ASSESSMENT		
DMA; G4-EN33 - Environmental impacts in the supply chain and actions taken	p. 123-124	✓
Social – Labour practices and decent work		
EMPLOYMENT		
DMA; G4-LA1 - New employee hires and employee turnover	p. 118-119	✓
G4-LA2 - Benefits provided to full-time employees	p. 119	✓
OCCUPATIONAL HEALTH AND SAFETY		
DMA; G4-LA6 - Injuries, occupational diseases, lost days and absenteeism	p. 120-121	✓
TRAINING AND EDUCATION		
DMA; G4-LA9 - Average hours of training	p. 119-120	✓
G4-LA11 - Employees receiving regular performance and career development reviews	p. 119-120	✓
DIVERSITY AND EQUAL OPPORTUNITY		
DMA; G4-LA12 - Governance bodies and employee numbers according to gender and other indicators of diversity	p. 115-118	✓
EQUAL REMUNERATION FOR WOMEN AND MEN		
DMA; G4-LA13 - Ratio of basic salary and remuneration of women to men	p. 117-118	✓
SUPPLIER ASSESSMENT FOR LABOUR PRACTICES		
G4-LA15 - Actual and potential negative impacts for labour practices in the supply chain	p. 123-124	✓
LABOUR PRACTICES GRIEVANCE MECHANISMS		
G4-LA16 - Grievances about labour practices	p. 121-122	✓
Social – Human Rights		
INVESTMENT		
G4-HR2 - Total hours of employee training on human rights	p. 119-120	✓
NON-DISCRIMINATION		
G4-HR3 - Incidents of discrimination	p. 121-122	✓
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
G4-HR4 - Operations and suppliers at risk	p. 121-122	✓
CHILD LABOUR		
G4-HR5 - Operations and suppliers at risk	p. 121-122	✓
FORCED OR COMPULSORY LABOUR		
G4-HR6 - Operations and suppliers at risk	p. 121-122	✓
SUPPLIER HUMAN RIGHTS ASSESSMENT		
G4-HR11 - Significant negative human rights impacts in the supply chain	p. 123-124	✓
HUMAN RIGHTS GRIEVANCE MECHANISMS		

GENERAL STANDARD DISCLOSURES	Page	External Assurance
G4-HR12 - Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	p. 121-122	✓
Social – Society		
ANTI-CORRUPTION		
G4-SO3 - Number and percentage of operations assessed for risks related to corruption	p. 112-115	✓
G4-SO4 - Communication and training on anti-corruption policies and procedures	p. 108-109	✓
G4-SO5 - Confirmed incidents of corruption and actions taken	p. 108-109	✓
ANTI-COMPETITIVE BEHAVIOUR		
G4-SO7 - Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	p. 108-109	✓
COMPLIANCE		
G4-SO8 - Fines and sanctions for non-compliance with laws and regulations	p. 108-109	✓
SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY		
G4-SO10 - Significant negative impacts on society in the supply chain	p. 123-124	✓
Social – Product responsibility		
CUSTOMER HEALTH AND SAFETY		
G4-PR1 - Product and service categories for which health and safety impacts are assessed for improvement	p. 122-123	✓
G4-PR2 - Incidents of non-compliance with product health and safety regulations and voluntary codes	p. 122-123	✓
PRODUCT AND SERVICE LABELING		
G4-PR5 - Results of surveys measuring customer satisfaction	p. 122	✓
MARKETING COMMUNICATIONS		
G4-PR6 - Sale of banned or disputed products	p. 122-123	✓
CUSTOMER PRIVACY		
G4-PR8 - Substantiated complaints regarding breaches of customer privacy and losses of customer data	p. 122-123	✓
COMPLIANCE		
G4-PR9 - Significant fines for non-compliance with laws and regulations	p. 122-123	✓

10. GRI – UN GLOBAL COMPACT PRINCIPLES LINKING TABLE

GLOBAL COMPACT PRINCIPLES		GRI DISCLOSURES
HUMAN RIGHTS	PRINCIPLE 1 BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS	G4-HR2, G4-HR12
	PRINCIPLE 2 BUSINESS SHOULD MAKE SURE THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES	G4-HR11
LABOUR	PRINCIPLE 3 BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING	G4-11, G4-HR4
	PRINCIPLE 4 BUSINESSES SHOULD UPHOLD THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR	G4-HR6
	PRINCIPLE 5 BUSINESSES SHOULD UPHOLD THE EFFECTIVE ABOLITION OF CHILD LABOUR	G4-HR5
	PRINCIPLE 6 BUSINESSES SHOULD UPHOLD THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION	G4-10, G4-EC6, G4-LA1, G4-LA9, G4-LA11, G4-LA12, G4-LA13, G4-HR3
ENVIRONMENT	PRINCIPLE 7 BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES.	G4-EN1, G4-EN3, G4-EN8, G4-EN15, G4-EN16, G4-EN17
	PRINCIPLE 8 BUSINESSES SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY	G4-EN1, G4-EN3, G4-EN8, G4-EN15, G4-EN16, G4-EN17, G4-EN19, G4-EN23, G4-EN33
	PRINCIPLE 9 BUSINESSES SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES	G4-EN19
ANTI-CORRUPTION	PRINCIPLE 10 BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY	G4-56, G4-SO4, G4-SO5

SUBSEQUENT EVENTS

In light of the recent migration of THE OUTNET and the Group's commitment to further reduce the risk profile during the In Season migration to the Omni-stock model, YNAP has decided to separate the NET A PORTER migration from the MR PORTER migration. The underlying rationale is to reduce complexity of the entire process by involving all available resource in the migration of one store at a time. The potential impact on sales will also be minimised, by planning the completion of the first transition before the Christmas holidays and the start of the second after the seasonal peak. Consequently, the MR PORTER migration is planned in 2018, according to the original schedule, while the NET-A-PORTER migration will be postponed by a few months to 2019.

Multi-brand In-Season

The start of 2018 saw significant developments in the In-Season commerce content to commerce offering. In particular, as a direct response to the increased demand from consumers for more editorial content, NET A PORTER launched PORTER Digital: original PORTER content, available every day and integrated into the native app, which allows customers to translate inspiration directly into purchases. PORTER has therefore become the only editorial expression of NET-A-PORTER, offering daily, weekly and bi-monthly content on all platforms.

From the onset, PORTER Digital elicited significant interest from customers: in the first three weeks following the launch, unique visitors to the NET-A-PORTER editorial section doubled as did the revenue generated directly from the content that is also available for sale.

YOOX NET-A-PORTER GROUP

In January, Balenciaga created two exclusive capsule collections for NET-A-PORTER and MR PORTER, which constituted the first collaboration under the artistic direction of Demna Gvasalia from the time he joined the Kering Group's Brand. The exclusive capsule collection was very well received by customers, with record pre-order sales levels compared to the previous capsule collections.

A new Personal Shopping team based in Dubai was created in January 2018, to increase the engagement with the local high spending customers prior to the In-Season localisation.

Online Flagship Stores

As a part of NEXT ERA framework, the Online Flagship Stores business extended to Europe the possibility of direct invoicing, a functionality which will allow Valentino to implement the "unique inventory overview".

YOOX NET-A-PORTER GROUP S.p.A. and Balmain Paris concluded a 5-year global agreement for the design and operation of the new Balmain Online Flagship Store, expected to launch in 2018.

The global partnership for the Online Flagship Store stoneisland.com "Powered by YOOX NET-A-PORTER GROUP" was extended for a further 5 years to 2023, following an agreement concluded between SPORTSWEAR COMPANY S.p.A. and YOOX NET-A-PORTER GROUP S.p.A.

ASSIGNMENT OF SHARES FOLLOWING THE EXERCISE OF STOCK OPTIONS

As further clarified in the significant events occurred following the end of the Period, on 10 January and 9 February 2018 overall 803,140 YNAP ordinary shares were granted following the exercise of 15,445 options whose details are reported in the chart below.

STOCK OPTION PLANS	ASSIGNMENT DATE	STRIKE PRICE (IN EURO)		TOTAL OPTIONS	TOTAL SHARES AFTER DIVISION
		106.5	59.17		
2004 – 2006	10/01/2018	500		500	26,000
2006 – 2008	10/01/2018		200	200	10,400
2007 – 2012	10/01/2018		962	962	50,024
SUB TOTAL		500	1,162	1,662	86,424
2006 – 2008	09/02/2018		3,636	3,636	189,072
2007 – 2012	09/02/2018	336	9,811	10,147	527,644
SUB TOTAL		336	13,447	13,783	716,716
TOTAL		836	14,609	15,445	803,140

As a result of this, at the date of this document, the new share capital issued by YNAP S.p.A. is equal to Euro 1,347,794.33 represented by 134,779,433 shares with no par value, including 91,966,288 ordinary shares and 42,813,145 B Shares without voting rights.

VOLUNTARY TENDER OFFER ON YNAP SHARES

On 22 January 2018, Compagnie Financière Richemont SA ("Richemont") announced its intention to launch a voluntary takeover bid to acquire all the ordinary shares of YOOX NET-A-PORTER GROUP S.p.A. ("YNAP") - issued or to be issued - other than those held by Richemont and its affiliates, pursuant to article 102 of Legislative Decree 58/1998. Pursuant to the terms of the Offer, the YNAP shareholders will receive Euro 38.00 per ordinary share.

The offering document was submitted to the Commissione Nazionale per le Società e la Borsa ("Consob") on 12 February 2018 and on 20 February 2018, Consob announced the suspension of the review period until 7 March 2018. The reason for the suspension is to allow Richemont to add to the Offering Documentation the main financial data regarding the draft separate and consolidated financial statements of YNAP as at 31 December 2017.

YOOX NET-A-PORTER GROUP

At the date of this document, the Board of Directors of YNAP has not yet met to express its own assessment of the offer. Any changes to the Offer will be announced in a press release that the Company will issue pursuant to article 103, par. 3 of the TUF and art. 39 of Consob Regulation 11971/1999.

For further information regarding the offer, see the press releases and documents available online on the company's website www.ynap.com (in the section on Investor Relations / Public Tender Offer on YNAP Shares) and on the Richemont website www.richemont.com (in the section Investors / YOOX NET-A-PORTER GROUP Tender Offer).

BUSINESS OUTLOOK

In light of the Group's leadership position in luxury fashion e-commerce and of the positive outlook for the online retail market, YOOX NET-A-PORTER GROUP expects to achieve organic net revenue growth in line with its Strategic Plan. All of the Group's business lines and key markets are expected to positively contribute to this growth. The Group also expects to deliver an improvement in the adjusted EBITDA margin at constant exchange rates.

The Group expects to invest between Euro 170 and 180 million and to improve its cash flow absorption compared to 2017. Investments will be mainly dedicated to the convergence to the new omni-stock set-up and the ongoing development of the new shared technology platform. A strong focus will be placed on mobile innovation and on the roll-out of localisation and omni-channel features. The Group also plans to expand its operations with the opening of the In-Season hub in Milan and additional spaces at the Interporto logistics pole in Bologna.

BOARD OF DIRECTORS' RESOLUTION PROPOSED TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

We would therefore like to make following proposals to you:

- to approve the separate financial statements of YOOX NET-A-PORTER GROUP S.p.A. as at 31 December 2017, which report a net loss of Euro 69,704,582.47 (sixty-nine million, seven hundred and four thousand, five hundred and eighty-two euros and forty-seven euro cents), together with this Directors' Report;
- to increase the legal reserve to up to Euro 267,952.59 (two hundred and sixty-seven thousand, nine hundred and fifty-two euros and fifty-nine euro cents), equal to 20% of the share capital subscribed and paid up of Euro 1,339,762.93 (one million, three hundred and thirty-nine thousand, seven hundred and sixty-two euros and fifty-nine euro cents), applying to the "Share premium reserve";
- to cover the loss for the year by using the share premium reserve in the amount of Euro 69,704,582.47 (sixty-nine million, seven hundred and four thousand, five hundred and eighty-two euros and forty-seven euro cents);

We also suggest that you acknowledge that the YNAP Group's consolidated financial statements as at 31 December 2017 show a net profit of Euro 17,260,921.43 (seventeen million, two hundred and sixty thousand, nine hundred and twenty-one euros and forty-three euro cents). Including a loss of minority pertaining to minority interests of Euro 1,310,200.25 (one million three hundred ten thousand two hundred Euros and 25 Euro cents).

Milan, 06 March 2018
For the Board of Directors

Chairman of the Board of Directors
Raffaello Napoleone

ANNEXES TO THE DIRECTORS' REPORT

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

Impact of incentive plans in the second quarter of 2017:

THOUSANDS OF EUROS	2ND HALF OF 2017	% TOTAL	2ND HALF OF 2016	% TOTAL
FULFILMENT COSTS	(104,820)	-	(92,898)	-
<i>of which incentive plans</i>	(5)	0.1%	(42)	0.6%
SALES AND MARKETING COSTS	(131,783)	-	(123,985)	-
<i>of which incentive plans</i>	(205)	3.3%	(714)	11.1%
GENERAL EXPENSES	(90,937)	-	(84,560)	-
<i>of which incentive plans</i>	(5,994)	96.6%	(5,680)	88.3%
INCENTIVE PLANS TOTAL	(6,204)	100.0%	(6,436)	100.0%

Impact of incentive plans in 2017 compared with 2016:

THOUSANDS OF EUROS	31 DEC 2017	% TOTAL	31 DEC 2016	% TOTAL
FULFILMENT COSTS	(204,791)	-	(181,417)	-
<i>of which incentive plans</i>	(57)	0.4%	(59)	0.5%
SALES AND MARKETING COSTS	(256,710)	-	(230,775)	-
<i>of which incentive plans</i>	(711)	5.6%	(1,468)	11.9%
GENERAL EXPENSES	(184,462)	-	(170,738)	-
<i>of which incentive plans</i>	(11,991)	94.0%	(10,823)	87.6%
INCENTIVE PLANS TOTAL	(12,759)	100.0%	(12,351)	100.0%

YOOX
NET-A-PORTER
GROUP

CONSOLIDATED FINANCIAL STATEMENTS YNAP GROUP

YOOX
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YOOX
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CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017 PREPARED PURSUANT TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ⁽¹⁾

CONSOLIDATED INCOME STATEMENT

THOUSANDS OF EUROS	NOTES	31/12/2017	31/12/2016
NET REVENUES	8.1	2,091,040	1,870,660
COST OF GOODS SOLD	8.2	(1,285,010)	(1,138,238)
FULFILMENT COSTS	8.3	(215,786)	(194,638)
SALES AND MARKETING COSTS	8.4	(256,716)	(230,779)
GENERAL EXPENSES	8.5	(283,927)	(248,683)
OTHER INCOME AND EXPENSES	8.6	(3,579)	(6,139)
NON-RECURRING EXPENSES	8.7	-	-
OPERATING PROFIT	8.8	46,021	52,183
INCOME FROM EQUITY INVESTMENTS	8.9	262	371
FINANCIAL INCOME	8.10	14,852	12,451
FINANCIAL EXPENSES	8.10	(36,371)	(16,511)
PROFIT BEFORE TAX		24,764	48,495
TAXES	8.11	(7,503)	(14,565)
CONSOLIDATED NET INCOME FOR THE YEAR		17,261	33,930
OF WHICH:			
NET ATTRIBUTABLE TO THE OWNERS OF THE GROUP		18,571	33,930
NET ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(1,310)	-
BASIC EARNINGS PER SHARE	8.12	0.14	0.26
DILUTED EARNINGS PER SHARE	8.12	0.14	0.25

(1) The financial statements, which were prepared in accordance with CONSOB Resolution 15519 of 27 July 2006 and CONSOB Communication No. DEM/6064293 of 28 July 2006, are annexed to the notes to consolidated financial statements at 31 December 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	31/12/2017	31/12/2016
THOUSANDS OF EUROS		-	-
CONSOLIDATED NET INCOME FOR THE YEAR		17,261	33,930
OTHER COMPONENTS OF COMPREHENSIVE INCOME, NET OF TAX EFFECTS			
FOREIGN CURRENCY TRANSLATION DIFFERENCES	8.23	(74,347)	(245,768)
PROFIT/(LOSS) FROM CASH FLOW HEDGES	8.23	789	(431)
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME WHICH WILL BE (OR COULD BE) RECLASSIFIED IN THE INCOME STATEMENT		(73,558)	(246,199)
NET CHANGE IN RETAINED EARNINGS AND ACTUARIAL LOSSES RELATING TO EMPLOYEE BENEFITS	8.23	(7)	(12)
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED IN THE INCOME STATEMENT		(7)	(12)
TOTAL CONSOLIDATED COMPREHENSIVE NET INCOME FOR THE PERIOD		(56,304)	(212,281)
OF WHICH:			
NET ATTRIBUTABLE TO THE OWNERS OF THE GROUP		(54,994)	(212,281)
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(1,310)	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

THOUSANDS OF EUROS	NOTES	31/12/2017	31/12/2016
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	8.13	153,875	130,586
INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	8.14	482,658	461,460
GOODWILL	8.15	1,188,659	1,231,769
EQUITY INTERESTS IN ASSOCIATES	8.16	963	701
DEFERRED TAX ASSETS	8.17	62,958	53,043
OTHER NON-CURRENT FINANCIAL ASSETS	8.18	2,730	2,837
TOTAL NON-CURRENT ASSETS		1,891,843	1,880,397
CURRENT ASSETS			
INVENTORIES	8.19	704,228	578,200
TRADE RECEIVABLES	8.20	52,499	32,387
OTHER CURRENT ASSETS	8.21	45,975	48,171
CASH AND CASH EQUIVALENTS	8.22	262,333	155,465
CURRENT FINANCIAL ASSETS	8.22	50,448	66,995
TOTAL CURRENT ASSETS		1,115,482	881,218
TOTAL ASSETS		3,008,793	2,761,615
SHAREHOLDERS' EQUITY			
SHARE CAPITAL		1,340	1,337
RESERVES		1,774,168	1,833,826
RETAINED EARNINGS AND LOSSES RESERVE		119,985	66,900
CONSOLIDATED NET INCOME FOR THE YEAR		18,571	33,930
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	8.23	1,914,064	1,935,994
EQUITY ATTRIBUTABLE TO THIRD PARTIES		8,430	-
TOTAL CONSOLIDATED EQUITY		1,922,494	1,935,994
NON-CURRENT LIABILITIES			
MEDIUM/LONG-TERM FINANCIAL LIABILITIES	8.25	157,666	98,982
EMPLOYEE BENEFITS	8.26	160	153
PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	8.28	-	-
DEFERRED TAX LIABILITIES	8.27	66,278	77,140
OTHER MEDIUM/LONG-TERM PAYABLES	8.31	7,534	8,367
TOTAL NON-CURRENT LIABILITIES		231,638	184,643
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	8.25	71,378	17,639
PROVISIONS FOR RISKS AND CHARGES	9.28	22,106	58,748
TRADE PAYABLES	9.29	588,733	399,412
TAX LIABILITIES	8.30	23,122	24,192
OTHER PAYABLES	8.31	147,855	140,988
TOTAL CURRENT LIABILITIES		853,193	640,978
TOTAL CONSOLIDATED EQUITY AND LIABILITIES		3,007,325	2,761,615

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AS AT 31/12/2017 AND 31/12/2016 – NOTE 8.23

THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM RESERVE AND OTHER EQUITY- RELATED RESERVES	LEGAL RESERVE	TREASURY SHARE ACQUISITION RESERVE	CASH FLOW HEDGE RESERVE	IAS 19 RESERVE	STOCK OPTION RESERVE	TRANSLATION RESERVE	RETAINED EARNINGS OR LOSSES CARRIED FORWARD	CONSOLIDATED NET INCOME	OTHER SHAREHOLDERS' RESERVES	EQUITY	TOTAL
31 DECEMBER 2015	1,301	1,941,658	193	(162)	(393)	(47)	21,982	4,991	50,358	16,609	-	-	2,036,490
SHARE CAPITAL INCREASES	36	99,964	-	-	-	-	-	-	-	-	-	-	100,000
INCREASES IN RESERVES FOR SHARE-BASED PAYMENTS	-	50	-	-	-	-	12,349	-	-	-	-	-	12,398
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-
CONSOLIDATED COMPREHENSIVE INCOME	-	-	-	-	(431)	(12)	-	(245,768)	-	33,930	-	-	(212,281)
OTHER CHANGES	-	(614)	67	-	-	-	-	-	16,542	(16,609)	-	-	(614)
31 DECEMBER 2016	1,337	2,041,058	260	(162)	(824)	(60)	34,331	(240,777)	66,900	33,930	-	-	1,935,994
SHARE CAPITAL INCREASES	3	-	-	-	-	-	-	-	-	-	19,944	9,812	29,759
INCREASES IN RESERVES FOR SHARE-BASED PAYMENTS	-	298	-	-	-	-	12,749	-	-	-	-	-	13,046
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-
CONSOLIDATED COMPREHENSIVE INCOME	-	-	-	-	789	(7)	-	(74,275)	-	17,261	-	(72)	(56,304)
OTHER CHANGES	-	(19,162)	7	-	-	-	-	-	53,085	(32,620)	-	(1,310)	-
31 DECEMBER 2017	1,340	2,022,194	267	(162)	(35)	(67)	47,080	(315,052)	119,985	18,571	19,944	8,430	1,922,494

YOOX NET-A-PORTER GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

THOUSANDS OF EUROS	NOTES	31/12/2017	31/12/2016
CONSOLIDATED NET INCOME FOR THE YEAR	8.32	17,261	33,930
ADJUSTMENTS FOR:			
TAXES FOR THE FISCAL YEAR	8.32	7,503	14,565
FINANCIAL EXPENSES DURING THE FISCAL YEAR	8.33	36,371	16,511
FINANCIAL INCOME DURING THE FISCAL YEAR	8.33	(14,852)	(12,451)
SHARE OF EARNINGS FROM ASSOCIATES	8.33	(262)	(371)
AMORTISATION AND IMPAIRMENT LOSSES FOR THE FISCAL YEAR	8.33	110,468	91,169
FAIR VALUE ADJUSTMENT OF STOCK OPTION PLANS	8.33	12,759	12,349
UNREALISED EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	8.33	(16,132)	(3,011)
LOSSES/(GAINS) ON SALE OF NON-CURRENT ASSETS	8.33	(1,345)	123
PROVISIONS FOR EMPLOYEE BENEFITS	8.33	8	60
PROVISIONS FOR RISKS AND CHARGES	8.33	1,344	1,502
PAYMENT OF EMPLOYEE BENEFITS	8.33	(2)	(61)
USE OF PROVISIONS FOR RISKS AND CHARGES	8.33	(37,986)	(32,943)
CHANGES IN INVENTORIES	8.34	(126,027)	(46,615)
CHANGES IN TRADE RECEIVABLES	8.34	(20,113)	(1,095)
CHANGES IN TRADE PAYABLES	8.34	189,321	46,152
CHANGES IN OTHER CURRENT ASSETS AND LIABILITIES	8.35	9,867	(24,294)
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		168,185	95,520
INCOME TAX PAID	8.32	(29,349)	(15,229)
INTEREST AND OTHER FINANCIAL EXPENSES PAID	8.33	(36,371)	(16,511)
INTEREST AND OTHER FINANCIAL INCOME RECEIVED	8.33	14,852	12,451
CASH FROM (USED IN) OPERATING ACTIVITIES		117,315	76,231
INVESTING ACTIVITIES			
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	8.36	(58,871)	(43,498)
ACQUISITION OF INTANGIBLE ASSETS	8.37	(110,386)	(85,449)
ACQUISITION OF EQUITY INVESTMENTS	8.38	-	-
ACQUISITION OF OTHER NON-CURRENT FINANCIAL ASSETS	8.39	108	262
ACQUISITION OF SUBSIDIARIES, NET OF CASH AND CASH EQUIVALENTS		-	-
CASH FROM (USED IN) INVESTING ACTIVITIES		(169,149)	(128,685)
FINANCING ACTIVITIES			
NEW SHORT-TERM LIABILITIES	8.42	57,242	82
REPAYMENT OF SHORT-TERM LIABILITIES	8.42	(3,503)	(11,730)
NEW MEDIUM/LONG-TERM FINANCIAL LIABILITIES	8.41	89,275	75,000
REPAYMENT OF MEDIUM/LONG-TERM FINANCIAL LIABILITIES	8.41	30,593)	(81,919)
PAYMENT FOR SHARE CAPITAL INCREASE AND SHARE PREMIUM RESERVE	8.40	29,735	100,186
INVESTMENTS IN FINANCIAL ASSETS		16,547	(4,040)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		158,703	77,579
TOTAL CASH FLOW FOR THE FISCAL YEAR		106,868	25,125
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	8.22	155,465	130,340
CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR	8.22	262,333	155,465
TOTAL CASH FLOW FOR THE FISCAL YEAR		106,868	25,125

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

1. GENERAL INFORMATION ABOUT THE GROUP

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

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

As at 31 December 2017, the scope of consolidation also included (i) the newly established YNAP Middle East Holding Limited (the UK company that is currently 67% owned by THE NET-A-PORTER GROUP LIMITED and 33% owned by Symphony Global LLC) and (ii) its subsidiaries E-Lux Middle East Holding and YNAP Middle East General Trading (a company operating in the United Arab Emirates).

The YNAP GROUP is active in e-commerce and offers commercial services relating to clothing and fashion accessories, and more generally to personal goods, home décor and accessories for leisure activities and the free time.

2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

The consolidated financial statements as at 31 December 2017 were approved by the Board of Directors on 06 March 2018. They have been audited and will be presented at the Shareholders' Meeting.

3. STATEMENT OF COMPLIANCE WITH IAS/IFRS AND GENERAL CRITERIA USED TO PREPARE THE CONSOLIDATED FINANCIAL STATEMENTS

YOOX NET-A-PORTER GROUP S.p.A. prepared the financial statements as at 31 December 2017 in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The acronym IFRS also includes all the interpretations of International Financial Reporting Standards Committee (IFRIC), formerly the Standing Interpretations Committee (SIC). The consolidated financial statements at 31 December 2017 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 31 December 2017 were compared with the consolidated financial statements for the previous year and are made up of the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows and the statement of changes in equity, as well as the notes thereto.

CONSOLIDATED FINANCIAL STATEMENTS

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

As indicated above, the consolidated financial statements at 31 December 2017 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.

YOOX NET-A-PORTER GROUP

Statement of comprehensive income

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

Statement of financial position

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

Statement of changes in shareholders' equity

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

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

Statement of cash flows

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

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

4. SCOPE OF CONSOLIDATION

The consolidated financial statements as at 31 December 2017 include the financial statements of the Parent Company YOOX NET-A-PORTER GROUP S.p.A. and of the subsidiaries. A parent is deemed to have control when it is exposed to variable returns resulting from the equity investment and it has the power to influence the returns of the investee company or the right to manage the core business of said company. Subsidiaries of immaterial size and those where the actual exercising of voting rights is subject to major long-term restrictions are excluded from the scope of consolidation and valued at cost.

YOOX NET-A-PORTER GROUP

The scope of consolidation as at 31 December 2017 therefore comprises the following subsidiaries of YOOX NET-A-PORTER GROUP S.p.A.:

COMPANY	REGISTERED OFFICES	SHARE CAPITAL AS AT 31 DEC 2017 (THOUSANDS OF EUROS)	PERCENTAGE HELD AS AT 31 DEC 2017	
			DIRECT	INDIRECT
THE PARENT COMPANY, YOOX NET-A-PORTER GROUP S.P.A.	VIA MORIMONDO 17 – 20143 MILAN – MI, ITALY			-
LARGENTA LIMITED	15 HILL STREET, LONDON - UK	463,209	100%	
NET-A-PORTER GROUP LTD	THE VILLAGE OFFICES, WESTFIELD, ARIEL WAY, LONDON - UK	45,901		100%
YNAP ME HOLDING LTD	THE VILLAGE OFFICES, WESTFIELD, ARIEL WAY, LONDON - UK	1		67%
E-LUX ME HOLDING	OFFICE 34, GATE VILLAGE BUILDING 10, DUBAI INTERNATIONAL FINANCIAL CENTRE, DUBAI	45		67%
YNAP ME TRADING LLC	OFFICE 5-20, STANDARD CHARTERED TOWER, BURJ KHALIFA, DUBAI	68		67%
NAP INTERNATIONAL LTD	THE VILLAGE OFFICES, WESTFIELD, ARIEL WAY, LONDON - UK	1		100%
YNAP CORPORATION	100 FIFTH AVENUE, 12TH FLOOR, NEW YORK, NY, 10011	3	29.8%	70.2%
NAP GROUP ASIA PACIFIC LTD.	28 HENNESSY ROAD, LEVEL 27, WAN CHI - HONG KONG	21,233		100%
SHOUKE LTD	28 HENNESSY ROAD, LEVEL 27, WAN CHI - HONG KONG	1,120		100%
NAP GROUP CHINA LTD	SUITES B2, B3, C1, C3, 31 ST FLOOR, 789 ZHAOJIABANG ROAD XUHUI DISTRICT, SHANGHAI – CINA	5,155		100%
YOOX JAPAN KK	4F OAK OMOTESANDO, 3-6-1 KITA-AOYAMA, MINATO-KU TOKYO 107-0061	75	100%	
MISHANG TRADING (SHANGHAI) CO. LTD LTD	FLOOR 6, DONGLONG BUILDING NO.223 XIKANG ROAD, JING-'AN DISTRICT 200040 SHANGHAI	6,000	100%	
YOOX ASIA LIMITED	UNIT 2702 27/F, THE CENTRIUM, 60 WYNDHAM STREET CENTRAL, HONG KONG (CN)	91	100%	

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

As at 31 December 2017, the scope of consolidation also included (i) the newly established YNAP Middle East Holding Limited (the UK company that is currently 67% owned by THE NET-A-PORTER GROUP LIMITED and 33% owned by Symphony Global LLC) and (ii) its subsidiaries E-Lux Middle East Holding and YNAP Middle East General Trading (a company operating in the United Arab Emirates).

5 ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

5.1 PRINCIPLES OF PREPARATION

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

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

The accounting standards are applied uniformly to all Group companies. Financial transactions are recognised according to the trade date.

The accounting policies adopted for the preparation of the consolidated financial statements at 31 December 2017 were applied in the same way for all periods presented for comparison.

5.2 USE OF ESTIMATES IN PREPARING THE FINANCIAL STATEMENTS

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

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

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

Allowance for impairment

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

Provision for obsolete inventories

The provision for obsolete inventories reflects the management estimate of impairment expected by the Group, calculated both on the basis of experience and on past and anticipated market performance, taking account of particular steps taken by the company. The current economic and financial crisis could lead to a further deterioration in market conditions, in addition to that taken into consideration in setting the provisions entered in the financial statements.

Recoverable value of non-current assets and goodwill

Non-current assets include property, plant and equipment, intangible assets including goodwill and other financial assets. Management periodically reviews the carrying amount of non-current assets held and used and of assets for disposal, whenever circumstances demand. Goodwill, intangible assets with a finite useful life and development costs in progress were revised at least annually by means of impairment tests. This is achieved by using estimates of anticipated cash flows from the use or sale of the asset, and appropriate discount rates to calculate present value. When the carrying amount of a non-current

asset has been impaired, the Group enters an impairment loss amounting to the difference between the carrying amount of the asset and its recoverable amount via use or sale, calculated with reference to the most recent company plans.

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

- For the purpose of preparing the consolidated financial statements as at 31 December 2017 and, more specifically, the impairment tests carried out on property, plant and equipment and intangible assets, the Group considered data from the Group's financial business plan. There was no need for impairment based on these forecasts.
- In the event of a further worsening of the assumptions forming the basis for the forecasts, the following should be noted: in terms of the Group's property, plant and equipment and intangible assets with finite useful life (essentially development costs), the forecasts refer to recent applications/platforms with highly technological content, which makes them competitive in the current economic climate. It is therefore thought highly probable that the life-cycles of these assets could be prolonged, allowing the Group to achieve sufficient income flows to cover the investment made in the assets within the timeframe identified.

Defined benefit plans

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

Recoverability of deferred tax assets

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

Contingent liabilities

The Group is involved in legal and tax disputes that concern a wide range of issues, and that 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 possible but the amount involved cannot be determined, this is reported in the notes to the financial statements.

5.3 CRITERIA FOR CONSOLIDATION

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

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group takes control until this control ceases to exist. If the Group loses control of a subsidiary, the consolidated financial statements include the result of said subsidiary in proportion to the period in which the Group still had control. Any share of equity and reserves attributable to non-controlling interests in the subsidiaries and the share of the consolidated subsidiaries' profit or

loss for the year attributable to non-controlling interests are recorded separately in the consolidated statement of financial position and income statement. Changes in equity interests in subsidiaries which do not result in loss of control or increase the controlling stake are recorded among changes in equity.

A list of fully consolidated companies is provided in Note 4 of these notes to the consolidated financial statements.

Equity interests in associates and joint ventures

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

Associates are accounted for using the equity method and initially recognised at cost. If the Group's share of the associates' losses should exceed the carrying amount of the equity investment in said associate, the value of the investment is written off and the share of additional losses is recorded in the appropriate provisions insofar as the Group is obliged to cover its associates' losses or fulfil obligations on its behalf. Unrealised profits and losses arising from transactions with associates are eliminated based on the equity interest held.

Transactions eliminated on consolidation

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

TREATMENT OF FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions

Assets and liabilities of foreign operations, including goodwill and fair value adjustments resulting from the acquisition, were converted into Euros using the exchange rate recorded as at year-end. Profit and Losses from foreign transactions have been translated at the spot exchange rate on the reporting date.

Exchange rate differences are recognised among components of the statement of comprehensive income and included in the conversion reserve.

Financial statements of foreign operations

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

The exchange rate differences arising from the translation are recorded directly in equity, under "Translation reserve". In the event of the partial or complete sale of a foreign operation, the related amount of differences accrued in this reserve is recognised in the income statement.

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

On the first-time adoption of IFRS, the cumulative translation differences generated by consolidation of foreign companies outside the Eurozone were reclassified to other reserves, as permitted under IFRS 1. Therefore, the capital gains and losses

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deriving from the future sale of these companies will include only the translation differences arising from 1 January 2007 onwards (the transition date of the former YOOX Group, now YNAP Group, to IAS/IFRS).

The following table shows the exchange rates used at 31 December 2017 and at 31 December 2016 for the translation of items in the income statement and statement of financial position denominated in foreign currencies (source: www.bancaditalia.it).

	EXCHANGE RATE AS AT 31/12/2017	AVERAGE EXCHANGE RATE FOR 2017
USD	1.1993	1.1297
AED	4.4044	4.1475
JPY	135.01	126.71
CNY	7.8044	7.6290
HKD	9.3720	8.8045
GBP	0.8872	0.8767
RUB	69.392	65.938
AUD	1.5346	1.4732
CAD	1.5039	1.4647
KRW	1,279.6	1,276.7

	EXCHANGE RATE AS AT 31/12/2016	AVERAGE EXCHANGE RATE FOR 2016
USD	1.0541	1.1069
AED	3.8696	4.0634
JPY	123.40	120.20
CNY	7.3202	7.3522
HKD	8.1751	8.5922
GBP	0.8562	0.8195
RUB	64.300	74.145
AUD	1.4596	1.4883
CAD	1.4188	1.4569
KRW	1,269.4	1,284.2

The foreign currencies are reported against euro units.

Business combinations

The Group accounts for business combinations by applying the acquisition method as at the date on which it effectively takes control. The amount transferred and the identifiable net assets acquired are usually recorded at fair value. The book value of any goodwill is subjected to annual impairment tests. Any profits arising from a purchase at a favourable price are immediately recognised in profit for the year, while related costs (other than those arising from the issue of debt securities or equity instruments) are recognised as expenses in the year in which they were incurred.

The amount transferred does not include sums relating to the termination of a previous relationship. These amounts are usually recognised in profit for the year.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

Cash flow hedging

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

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

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

5.4 ACCOUNTING PRINCIPLES ADOPTED

Property, plant and equipment

Valuation and measurement

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

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

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

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

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Subsequent costs

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

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

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

Assets under finance leases

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

Depreciation

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

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

equipment	15%
general plant	15%
specific plant	9%
electronic office equipment	20%
furniture and furnishings	15%

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

Intangible assets

Goodwill

Acquisition of companies are accounted for using the acquisition method, to which end the identified assets acquired and liabilities assumed are recognised at their fair value as at the date of acquisition. The acquisition cost is the sum of the fair values on the exchange date, the assets allocated, the liabilities assumed and any equity instruments issued by the Group in exchange for control of the acquiree.

Goodwill is booked as the positive difference between the acquisition cost and the fair value of these assets acquired and liabilities assumed.

On the acquisition date, the goodwill is allocated to each cash-generating unit (CGU) that is likely to benefit from synergies resulting from the business combination.

If there is a negative difference between the acquisition cost (including the elements mentioned above) and the fair value of the assets acquired and liabilities assumed, this difference is recorded as income in the income statement for the year in which the acquisition took place.

Any goodwill pertaining to non-controlling interests is included in the carrying amount of the equity investments relating to these companies.

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After initial recognition, goodwill is not amortised and is reduced by any cumulative impairment, calculated using the methods described in the section "Asset impairment losses and reversals".

Development costs

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

Development expenses are incurred on the basis of a plan or project to create new or substantially improved products or processes. Development expenses are capitalised only if the cost attributable to the asset during its development can be reliably measured, the product or process is technically and commercially feasible, there are likely future economic benefits and the Group intends and is able to complete the asset and either use it or sell it.

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

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

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

Other intangible assets with finite useful life

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

Subsequent expenses

Subsequent expenses are capitalised only when they increase the anticipated future economic benefits attributable to the asset to which they refer. All other subsequent expenses are entered in the income statement in the year in which they are incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the intangible assets, beginning when the asset is available for use. The appropriate economic and technical lives of these items are as follows:

Development costs	30%
Software and licences	33%
Brands and other rights	10%
Other intangible assets	33%

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

Investments in associates

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

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Associates are valued at equity for as long as the Group has considerable influence over their operations. If the Group's share of the associates' losses should exceed the carrying amount of the equity investment in said associate, the value of the investment is written off and the share of additional losses is recorded in the appropriate provisions insofar as the Group is forced to cover its associates' losses or fulfil obligations on its behalf.

Other non-current financial assets

This category includes guarantee deposits that are expected to be settled in more than 12 months.

The initial measurement of non-current financial assets is based on fair value as at the trade date (i.e. the acquisition cost), net of transaction costs directly attributable to the acquisition.

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

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

At each reporting date, it is determined whether there is objective evidence that any of the non-current financial assets have undergone an impairment loss.

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

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

If in a subsequent financial year the amount of the impairment loss decreases and that decrease is linked to an event subsequent to the recognition of the impairment loss, the loss is reversed and the relative write-back is recognised in the income statement.

Current financial assets

Current financial assets and securities held to maturity are accounted on the basis of the settlement date and, for their first-time recognition in the financial statements, they are measured at acquisition cost, inclusive of accessory transaction costs. Subsequent to initial recognition, financial instruments available for sale and held for trading are measured at fair value. If the market price is not available, the fair value of the financial instruments available for sale is measured using the most appropriate evaluation techniques, such as, for example the analysis of discounted cash flows, made using the market information available at the date of the financial statements.

The profits and losses for financial assets available for sale are measured directly under "Other total profits (losses)" until the time the financial asset is sold or impaired; at the time the asset is sold, the profits or accumulated losses, including those previously recorded under "Other total profits (losses)" are included in the income statement for the period; at the time the asset is impaired, the accumulated losses are included in the income statement. The profits and losses created by variations in the fair value of financial instruments classified as held for trading are recorded in the income statement for the period.

Bonds held with the intention of keeping them in the portfolio until maturity and all financial assets for which listings are not available in an active market and whose fair value cannot be determined in a reliable way, are valued, if they have a fixed term, at the amortised cost, using the effective interest method. When the financial assets do not have a fixed term, they are measured at acquisition cost. Financial Receivables with a term of more than a year, which are non-interest bearing or which mature with interest lower than market rates are discounted using the market rates.

Assessments are carried out regularly to verify whether there is objective evidence that a financial asset or a group of assets may be impaired. If this objective evidence is identified, the impairment loss is recognised as a cost in the income statement for the period.

Inventories

Inventories are measured at the lower of acquisition and/or production cost and the net realisable value on the basis of market trends, taking into account the relative accessory sales costs. The cost of inventories, determined in accordance with the average cost method by product category, includes acquisition costs and the costs incurred to bring inventories to their current location and conditions.

In order to adequately represent the value of inventories in the financial statements and to consider impairment losses deriving from obsolete material and low turnover, a provision for obsolescence has been recognised, as a direct deduction of the value of the inventories.

Trade receivables and other receivables

Trade and other receivables, generally maturing in less than one year, are recognised at the fair value of the initial payment increased by transaction costs. They are subsequently measured at amortised cost, adjusted to reflect any losses due to impairment, determined as the difference between the carrying amount and the value of estimated future cash flows. If the impairment loss decreases in a subsequent fiscal year, the previously recognised loss is partially or fully reversed and the value of the receivable is restored to a value that does not exceed the amortised cost that would have been recognised had there been no loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank and postal accounts and equivalents that may be liquidated in an extremely brief period of time (three months), which are recognised at nominal value and the spot exchange rate at year-end, if in foreign currency, corresponding to the fair value.

Asset impairment losses and reversals

At least once a year, the Company checks that the carrying amount of intangible assets with a finite useful life and property, plant and equipment can be recovered in order to determine whether there are any signs that such assets have been impaired. If such evidence exists, the carrying amount of the assets is reduced to their recoverable value.

Intangible assets with an indefinite useful life are subjected to impairment tests at least once a year, or whenever there are signs of impairment.

If this indication is identified, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Intangible assets not yet available for use are tested for impairment every year, or more frequently whenever there is an indication that the asset may have undergone an impairment loss.

If it is not possible to estimate the recoverable value of a single asset, the Group estimates the recoverable value of the cash generating unit (CGU) to which the asset belongs.

If this test brings to light any impairment in the assets recognised or in a cash generating unit (CGU), the recoverable amount is estimated and the part of the carrying amount exceeding the recoverable amount is allocated to the income statement. The impairment loss of a CGU is first allocated to goodwill, if any, and subsequently recognised as a reduction in the value of other assets.

The recoverable amount of an asset or a CGU is determined by discounting cash flow projections relating to the asset or the CGU. The discounting rate used is the cost of capital based on the specific risks of the asset or the CGU. The recoverable value of receivables recorded at amortised cost is the present value of future cash flows discounted using the effective interest rate calculated on initial recognition. The recoverable amount of other assets is the higher of the sale price and the value in use, determined by discounting the estimated future cash flows based on a rate that reflects market valuations.

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

When a loss on assets other than goodwill is subsequently eliminated or reduced, the carrying amount of the asset or the CGU is increased up to the new estimate of the recoverable amount, although it may not exceed the value that would have been determined if no impairment had been recognised. The write-back of a loss is recognised immediately in the income statement.

Share capital and other shareholders' equity items

As at 31 December YNAP S.p.A.'s share capital of Euro 1,339,762.93 comprises 133,976,293 shares divided into 91,070,155 ordinary shares and 42,906,138 B shares (without voting rights), all without indication of par value.

The cost of issuing new shares or options is recorded under shareholders' equity, net of the related tax benefit, as a deduction from the income arising from the issue of such instruments.

Pursuant to IAS 32, any equity instruments that are bought back (treasury shares) are deducted directly from equity under the item "Other reserves". No profit or loss is recognised in the income statement at the time of the acquisition, sale or cancellation of treasury shares.

The amount paid or received, including any other cost incurred that is directly attributable to the capital transaction, net of any associated tax benefit, is recognised as a change in shareholders' equity.

Any dividends recognised to shareholders are recognised as liabilities in the period in which they are decided upon.

Financial liabilities

Financial liabilities are initially recognised at fair value net of accessory costs and, subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The difference between the amortised cost and the repayment value is allocated to the income statement in relation to the duration of the liability based on interest accrued. When hedge accounting is applicable, financial liabilities hedged by derivatives are measured consistently with the hedging instrument.

Employee benefits

The Italian company's severance indemnity is considered to be a defined-benefit plan under IAS 19. The benefits guaranteed to employees, in the form of post-employment benefits disbursed at the time of termination of employment, are recognised at the expected future value of the benefits that employees will receive and which have accrued during the year and in previous years. The benefits are discounted and the liability is recognised net of the fair value of any assets used for pension plans. These net obligations are calculated separately for each plan on the basis of actuarial assumptions, and they are measured at least once a year with the support of an independent actuary by using the projected unit credit method.

As of 1 January 2013, it is no longer an option to defer the recognition of actuarial gains and losses using the corridor method, which means that the entire fund deficit or surplus needs to be recognised in the statement of financial position, and the cost components linked to the work provided and net financial expenses should be recognised separately in the income statement, while actuarial gains and losses deriving from the remeasurement of the liabilities and assets each fiscal year are recognised in "Other comprehensive income/(loss)".

Transactions with share-based payments

The YNAP Group awards additional benefits to some directors, managers, office workers, consultants and other employees through stock option plans. Pursuant to IFRS 2 – Share-Based Payments, these benefits are deemed to be equity-settlement transactions, meaning that the full current amount of the stock options as at the grant date is recognised as a cost in the income statement. Changes in present value subsequent to the grant date have no effect on the initial measurement. The cost for remuneration, corresponding to the present value of stock options at the grant date, is recognised under personnel costs

on a straight-line basis during the period between the grant date and the vesting date, with a matching entry recognised in shareholders' equity.

Provisions for risks and charges

Provisions for risks and charges are recognised against expenses for legal or implied (contractual or other) Group obligations arising from a past event. Provisions for risks and charges are recognised if it is likely that the use of resources will be necessary to meet the obligation and if it is possible to reliably estimate the obligation. An implied obligation is defined as an obligation that arises when the Group has notified other parties, via established practices, public corporate policies or a sufficiently explicit announcement, that it will accept the obligation, in such a way that the third party expects the Group to honour the obligation. If it is estimated that these obligations will arise in more than twelve months and the relative effects are significant, they are discounted at a rate that takes into account the cost of money and the specific risk of the liability recognised. Any change in the estimate of provisions is reflected in the income statement in the period in which it takes place. If discounting is applied, the increase in the provision due to the passing of time and any effect deriving from changes in the discounting rate is recognised as a financial expense.

Trade payables and other payables

Trade and other payables, due within normal commercial terms, typically less than one year, are recognised at the fair value of the initial payment increased by transaction costs. After initial recognition, they are measured at amortised cost, with any differences recognised in the income statement over the duration of the liability in compliance with the effective interest method. Trade and other payables generally have a duration of less than one year and, therefore, are not discounted.

Revenues and income

Sales

Revenues from sales are measured at the fair value of the payment received or due, taking into account the value of any returns, allowances, trade discounts and quantity-related premiums. Revenues are recognised when the significant risks and benefits associated with asset ownership are transferred to the purchaser, when the payment is likely to be recovered, the relative costs or any return of goods may be estimated reliably and if the Management stops exercising the continuous level of activity usually associated with the ownership of the good sold.

Risks and benefits are typically transferred at the time of shipment to the customer, i.e. the moment the goods are handed over to the carrier.

Services

Revenues from the provision of services are recognised in the income statement based on service progress at the reporting date. Progress is evaluated based on measurements of the work carried out.

Commissions

When the Group acts as a commercial intermediary and not the principal in a transaction, the recorded revenue is the net amount of the Group's commission.

Dividends

Dividends receivable are recognised as income in the income statement at the date of approval by the Shareholders' Meeting of the distributing company. On the other hand, dividends payable are recognised as changes in shareholders' equity in the fiscal year in which they are approved by the shareholders' meeting.

Cost of goods sold

The cost of goods sold is the total cost incurred by the Group to sell all goods with which it recognises sales revenue, net of changes in inventories of finished products. Therefore, the cost of goods sold includes costs to purchase goods plus direct and indirect, internal and external accessory costs, including transport costs and import and export duties. Costs incurred for transport relating to sales are included in the cost of goods sold as they are directly correlated with sales revenues. Costs for the purchase of goods for resale are measured at the fair value of the amount paid or agreed upon. In general, the amount of costs to purchase goods for resale therefore consists of cash or cash equivalents paid or to be paid in the future, within normal collection terms. On this basis, costs for the purchase of goods for resale are recognised based on prices for the acquisition of the goods reported on the invoice, net of premiums, discounts and allowances.

The cost of acquiring goods can be adjusted to take account of any discounts on top of those stipulated in the contract and any payment extensions beyond 12 months which may be considered a financing transaction between the supplier and the Group. In this last case, the present value of costs for the purchase of goods is represented by the future cash flow capitalised at a market interest rate. Likewise, when additional discounts are applied for early cash payments with respect to the payment terms agreed upon in the contract or on the invoice, the present value of costs for the purchase of goods is recognised gross of that additional discount, which is reported under interest income.

The change in inventories of goods shows the difference between opening inventories (or closing inventories from the previous period) and closing inventories for the reference accounting period.

In addition, the cost of goods sold also includes costs correlated with the revenues invoiced to the strategic partners of the online stores in the mono-brand business line for the assistance for the construction/maintenance of their online stores.

Fulfilment costs

This refers to costs incurred for:

- digital production, cataloguing and quality control: this item includes costs incurred for the “cataloguing” of goods acquired, or for labelling, classifying and storing them in the warehouse. These include costs of employed personnel, insurance, consulting services and the acquisition of consumables. It also includes part of the costs for the depreciation of assets involved in the process, the cost for renting vehicles and other expenses that may be directly allocated to the departments involved in the process;
- logistics: this item includes internal handling and packaging costs of goods, or costs for logistics management at the warehouse and the relative consulting services, as well as a portion of the depreciation and amortisation of tangible and intangible assets, and the cost incurred for the remuneration of employees working directly in that area;
- customer services: these costs include all expenses for the management of customer care, i.e., the costs of the call centre and telephone and emailing services made available to customers, costs for personnel, and the depreciation and amortisation of the relative tangible and intangible assets.

Sales and marketing costs and general and administrative expenses

Expenses relating to the items specified are measured at the fair value of the amounts paid or agreed upon.

In general, the amount of these costs consists of cash or cash equivalents to be paid in the future, within normal collection terms. On this basis, the costs are recognised based on the prices for the services reported on the invoice, net of premiums and discounts.

These costs are adjusted in the case of discounts on top of those stipulated in the contract and any payment extensions beyond 12 months that may be considered a financing transaction between the supplier and the Group.

In this last case, the present value of costs for services is represented by the future cash flow capitalised at a market interest rate.

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When additional discounts are applied for early cash payments with respect to the collection terms agreed upon in the contract or on the invoice, the present value of costs for services is recognised gross of that additional discount, which is reported under interest income.

The cost is recognised on an accrual basis, i.e. based on the stage of completion of the service provided at the reporting date.

The costs that the Group expects to incur in a particular year, even if it cannot specify an exact amount, are charged to the income statement based on reasonable estimates.

Rental and operating lease payments

Rental and operating lease payments are recognised in the income statement on an accrual basis, or when the economic benefits of the assets rented or leased are recognised. If the economic benefits are lower than mandatory minimum expenses, categorised as contracts for consideration, the costs are recognised immediately in the income statement to an extent equal to the difference between expenses and discounted benefits.

Non-recurring expenses

Non-recurring expenses are associated with extraordinary transactions, which include primarily expenses for legal, tax, accounting, financial and strategic consulting services, as well as other general expenses connected with the relative transactions.

Income from equity investments

Income and expenses from associates include the effects resulting from valuation at equity and capital gains and losses from the sale of investments in associates.

Financial income and expenses

Financial income includes interest income on invested liquidity and profits on hedging instruments recognised in the income statement. Interest income is recognised in the income statement on an accrual basis using the effective interest method. Financial expense includes interest expenses on loans and losses on hedging instruments recognised in the income statement. Costs relating to loans are recognised in the income statement using the effective interest method.

Income taxes

The tax burden for the year includes current and deferred taxes. Income taxes are recognised in the income statement, with the exception of those relating to any transactions recognised directly in shareholders' equity where they are recorded.

Current taxes represent the estimated amount of income taxes due, calculated on taxable income for the year, determined by applying the tax rates in force or substantially in force at the reporting date and any adjustments to the amount relating to previous years.

Deferred taxes are recognised in accordance with the equity method, by calculating temporary differences between the carrying amounts of assets and liabilities recognised in the financial statements and the corresponding values recognised for tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to be applicable in the year in which the asset or liability to which they refer will be realised or settled, respectively, on the basis of the tax rates established by measures in force or substantially in force at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets with current tax liabilities and if the deferred tax assets and liabilities relate to income taxes applied by the same tax authority on the same taxpayer or different taxpayers which intend to settle current tax assets and liabilities on a net basis, or sell the assets and settle the liabilities simultaneously.

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Deferred tax assets are recognised to the extent to which it is likely that future taxable income will be available against which such assets may be used. The value of deferred tax assets is reviewed at each reporting date and is reduced to the extent to which it is no longer likely that the relative tax benefit may be realised.

Additional income taxes resulting from any distribution of dividends are accounted for when the liability for payment of the dividend is recognised.

Earnings per share

Basic earnings per share is the profit attributable to the shareholders of the Parent Company divided by the weighted average number of ordinary shares outstanding during the period under review, excluding any treasury shares held. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming the conversion into ordinary shares of all stock options granted with a dilutive effect. The Group's existing stock option plans provide for a category of potential ordinary shares with a dilutive effect.

Information by segment

A business segment is a group of uniquely identifiable activities and operations that provides a set of related products and services and is subject to different risks and benefits to the Group's other business segments.

IFRS 8 provides for segment information to be based on the elements used by chief operating decision makers (CODM) to analyse performance and make operating decisions.

Following the recent acquisition of THE NET-A-PORTER GROUP and in order to achieve the material synergies expected from the integration of the pre-existing businesses, the management and control model currently adopted by the Group's management envisages, among other things, the integrated management of the Group's technology and logistics platform.

The activity of the Group can therefore be identified in a single operating segment relating to the business of the YOOX NET-A-PORTER GROUP.

Disclosure on financial instruments

Pursuant to IFRS 7, additional information is provided on financial instruments in order to assess:

- the impact of the financial instruments on the statement of financial position, the income statement and the statement of cash flows;
- the nature and size of the financial instrument-related risks to which the business is exposed; and
- how these risks are managed.

CHANGES TO ACCOUNTING STANDARDS, NEW ACCOUNTING STANDARDS, CHANGES TO ESTIMATES AND RECLASSIFICATIONS

NEW ACCOUNTING PRINCIPLES AND AMENDMENTS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP

The new accounting standards or amendments applicable for fiscal years beginning after 1 January 2018, which may be applied in advance, are specified below. The Group has decided not to adopt them in advance for the preparation of these consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers – The adoption of IFRS 15 involves cancellation of IAS 18 Revenues and IAS 11 Construction Contracts and their related interpretations, from the date IFRS 15 enters into effect.

The new elements can be summarized as follows:

- the introduction – within a single accounting standard – of a common framework” for the recognition of revenues whether from the sale of goods or the provision of services;
- ‘the adoption of a “step” approach to recognising revenue;
- an “unbundling” mechanism for attribution of the global pricing of the transaction to each of the commitments (sale of goods and/or provision of services) comprising part of the transfer agreement.

In general, IFRS 15 requires entities to adopt a five “step” approach to recognising revenues:

1. identify the contract(s) with a customer: the IFRS 15 instructions apply to each contract concluded with a customer and follows specific criteria.

In some cases, IFRS 15 requires an entity to combine/aggregate several contracts and recognise them as a single contract;

2. identification of the performance obligations in the contract: a contract represents the obligations to transfer goods and services to a customer. If these goods or services are “distinct”, these promises identify as a performance obligation and are recognised separately;

3. determination of the transaction price: the transaction price is the amount to which an entity expects to be entitled in exchange for the transfer of goods and services. The price set for a transaction may be fixed, but at times it may include variable components or non-cash components;

4. allocation of the transaction price to the performance obligations in the contracts: where a contract has multiple performance obligations, an entity will allocate the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices. If a standalone selling price is not directly observable, the entity will need to estimate it. The standard specifies that an entity shall allocate a discount or a variable component, to one or more but not to all, of the performance obligations (or the separate goods or services) included in the contract;

5. recognition of revenue when (or as) the entity satisfies a performance obligation: an entity recognises the revenue when it satisfies a performance obligation through transfer of a good or provision of a service, as provided in a contract, to a customer (i.e. when that customer acquires control of that good or service). The amount of the revenue to be recognised is the amount that was allocated to the performance obligation which was fulfilled. A performance obligation can be fulfilled at a given time (typically when the goods are transferred) or over a period of time (typically when services are provided). For performance obligations fulfilled over a period of time, an entity will recognise the revenue during that period of time, selecting the most appropriate method for measuring the progress towards fulfilment of the performance obligation. To ensure completeness, we note that during 2017, Regulation 1987/2017 was endorsed, This is also applicable from 1 January 2018 - it amends IFRS 15. These amendments essentially clarify certain aspects of the new standard and provide operating specifications which are useful during the transition phase.

The Group does not expect any significant impacts from the procedures and recognition times set forth in IFRS 15.

IFRS 16 Leases – IFRS 16 replaces the current provisions regarding leases included in IAS 17 Leasing, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases - Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 applies for fiscal years beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 as at the first application date of IFRS 16 or which already applied it.

IFRS 16 introduces a unique model for recognition of leases in the lessee accounts according to which the lessee recognises an asset representing the right to use the underlying asset and a liability which reflects the obligation to pay the rent. There are exemptions to the application of IFRS 16 for short term leases and for leases of a low value. The procedures to be followed by lessee are similar to those set forth in the currently applicable standard, i.e. the lessee continues to classify the lease as an operating or financial lease.

The Group has performed a preliminary assessment of the potential effects on the consolidated financial statements, but no detailed analysis has taken place thus far. The actual effects of applying IFRS 16 on first application to the financial statements will depend on future economic conditions, including the lending rate as at 1 January 2019, the composition of the Group’s leases as at that date, a more recent assessment by the Group regarding whether or not to renew leases and the extent to which the Group will opt to use practical measures and exemptions.

Currently, the most significant effect consists of the Group’s recognition of new assets and liabilities for operating leases referring to the structures that host the warehouses and factories. As at 31 December 2017, the minimum future payments for irrevocable operating leases totalled € 221,539 thousand, on an undiscounted basis.

Moreover, the nature of the costs of the aforementioned leases will change when IFRS 16 replaces straight line accounting of the costs for operating leases with amortization of the usage rights and the financial charges based on lease liabilities.

The impact insofar as the Group’s financial leases is not expected to be significant,

The Group does not expect adoption of IFRS 16 to influence its ability to comply with the covenants regarding the indebtedness ceiling set forth in the loan agreement described under Note 8.25.

In its role as a lessee, the Group may apply the standard by using:

- the retroactive method; or

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– the retroactive method modified with the usage of optional practical measures.

The lessee must apply the same methods uniformly to all the leases.

The Group intends to apply IFRS 16 from the first application date (i.e. 1 January 2019) using the modified retroactive method. Therefore, the cumulative effect of adopting IFRS 16 will be recognised by adjusting the opening balance of the retained earnings carried forward as at 1 January 2019, without recalculating the comparative information.

As at the close of the year, the minimum future payments for irrevocable operating leases are as follows:

THOUSANDS OF EUROS	31 DEC 2017	31 DEC 2016
WITHIN THE YEAR	28,984	22,451
BETWEEN ONE AND FIVE YEARS	102,359	77,542
LATER THAN FIVE YEARS	90,196	51,129
TOTAL	221,539	151,121

IFRS 9 - Financial Instruments: Published in July 2014, IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new provisions for the classification and measurement of financial instruments, a new model for expected losses for the calculation of impairment losses on financial assets and new general provisions for hedge accounting transactions. In addition, it includes provisions for the recognition and derecognition of financial instruments in keeping with the current IAS 39. IFRS 9 applies for fiscal years beginning on or after 1 January 2018. Early adoption is permitted.

Based on the evaluation conducted by the Group, we do not believe that the new classification criteria will have an immediate effect on the recognition of financial instruments, the impairment of financial assets or the recognition of hedges.

DOCUMENTS NOT YET APPROVED BY THE EUROPEAN UNION AS AT 31 DECEMBER 2017

We do not expect the following amendments to standards or interpretations to have a significant effect on the Group's consolidated financial statements:

- Annual Improvements to IFRS (cycle 2014-2016) – amendments to IFRS 1 and IAS 28.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Transfers of Investment Property (Amendments to IAS 40).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.

6. REPORTING BY BUSINESS LINE

Following the recent acquisition of THE NET-A-PORTER GROUP, the current reporting system used by senior management to assess business performance does not provide for allocation to the business lines of relevant operating costs, depreciation and amortisation, and non-monetary revenue and costs; as such, the information presented relates only to net sales revenue for the Multi-brand in-season (including the activities of online stores net-a-porter.com, mrporter.com, thecorner.com and shooscribe.com), Multi-brand off-season (including the activities of online stores yoox.com and the outnet.com) and Online Flagship Stores (including the design, planning, creation and management activities for the online stores and some of the leading fashion brands) business lines, consistent with the aforementioned reporting system.

7. INFORMATION BY GEOGRAPHICAL AREA

Revenues generated by the Group from transactions with third-party customers break down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016
ITALY	142,554	124,783
UNITED KINGDOM	286,803	269,935
EUROPE (EXCLUDING ITALY AND THE UNITED KINGDOM)	548,574	488,075
NORTH AMERICA	632,206	573,903
ASIA-PACIFIC	355,779	302,287
OTHER COUNTRIES AND NON-COUNTRY-RELATED	125,125	111,677
TOTAL	2,091,040	1,870,660

The "Non-country-related" item comprise fees for the set-up and maintenance activities for the online stores, media partnership projects in the multi-brand business line as well as web marketing, web design and other web marketing services offered for the online stores.

The table concerning revenues by geographical area is consistent with the Group's control model: only sales to online customers are allocated by country in this control model.

In 2016 and 2017, no single third-party customer contributed more than 10% of the Group's revenues.

8. NOTES TO THE STATEMENT OF FINANCIAL POSITION, INCOME STATEMENT AND STATEMENT OF CASH FLOWS

CONSOLIDATED INCOME STATEMENT

8.1 NET REVENUES

The Group's net revenues from sales and the provision of services at 31 December 2017 and 31 December 2016 break down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
NET REVENUES FROM SALE OF GOODS	2,035,773	1,801,124	234,649
NET REVENUES FROM THE PROVISION OF SERVICES	55,266	69,536	(14,270)
TOTAL	2,091,040	1,870,660	220,380

Net revenues from sale of goods increased by 11.8% from Euro 1,870,660 thousand as at 31 December 2016 to Euro 2,091,040 thousand as at 31 December 2017. Net revenues from sales include all revenues from the sale of goods, net of discounts provided to customers and returns.

Revenues from the sale of goods are reported net of sales returns, amounting to Euro 1,136,583 thousand in 2017, or 36.2% of gross revenues in 2017 (revenues from the sale of goods before customer returns in 2017) and Euro 1,003,170 thousand in 2016, or 36.0% of gross revenues in 2016 (revenues from the sale of goods before customer returns in 2016). Returns are an inherent part of the Company's business activities, as a result of the protection afforded to consumers under remote-selling – and specifically e-commerce – regulations in force in the countries where the Company operates. These revenues will include the release of some accruals made in previous years for compliance risks that were resolved positively during the year.

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Revenues from the provision of services decreased from Euro 69,536 thousand in 2016 to Euro 55,266 thousand in 2017, decreasing 20.5%, primarily including:

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

8.2 COST OF GOODS SOLD

The cost of goods sold came in at Euro 1,285,010 thousand (61.5% of net revenues) for the year ended 31 December 2017, compared with Euro 1,138,238 thousand (60.8% of net revenues) in 2016, an increase of Euro 146,772 thousand. The cost of goods sold includes costs deriving from the acquisition of goods for resale as well as costs for services and other costs.

The following table shows a breakdown of the cost of goods sold by nature:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
CHANGE IN INVENTORIES OF GOODS	168,680	65,638	103,042
PURCHASE OF GOODS	(1,286,771)	(1,057,822)	(228,949)
COST OF SERVICES	(127,044)	(111,081)	(15,963)
OTHER COSTS	(39,874)	(34,973)	(4,901)
TOTAL	(1,285,010)	(1,138,238)	(146,772)

Costs for the purchase of goods rose from Euro 1,057,822 thousand in 2016 to Euro 1,286,771 thousand in 2017, an increase of 21.6%. This cost comprises the cost of procuring goods for resale, and its absolute value is directly correlated to volumes.

The cost of services was up by 14.4%, from Euro 111,081 thousand in 2016 to Euro 127,044 thousand in 2017. A portion of the transportation costs is invoiced directly to the final customer and recognised as revenue from the provision of services, net of refunds on customer returns.

Other costs increased by 14.0%, from Euro 34,973 thousand in 2016 to Euro 39,874 thousand in 2017. 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.

8.3 FULFILMENT COSTS

Fulfilment costs totalled Euro 215,786 thousand (10.3% of net revenues) in 2017, compared with Euro 194,638 thousand (10.4% of net revenues) in 2016, an increase of Euro 21,148 thousand.

This cost comprises operational expenses incurred by digital production, cataloguing and quality control, by warehouse logistics, and by the department that provides direct services to customers, referred to as Customer Service.

The following table shows the breakdown of fulfilment costs:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
SERVICE COSTS AND OTHER COSTS	(111,346)	(97,156)	(14,190)
PERSONNEL EXPENSES	(93,445)	(84,260)	(9,184)
DEPRECIATION AND AMORTISATION	(10,996)	(13,221)	2,225
TOTAL	(215,786)	(194,638)	(21,148)

Service costs and other costs rose from Euro 97,156 thousand in 2016 to Euro 111,346 thousand in 2017, an increase of 14.6%. They mainly comprise service costs for handling and packaging goods and costs relating to outsourced production processes.

Personnel expenses rose from Euro 84,260 thousand in 2016 to Euro 93,445 thousand in 2017, with an increase of 10.9%, determined by the increase in the number of employees involved in this function. Personnel expenses include the cost of employees as well as costs equivalent to personnel expenses relating to interns, contractors and consultants.

8.4 SALES AND MARKETING COSTS

Sales and marketing costs came in at Euro 256,716 thousand (12.3% of net revenues) for the period ended 31 December 2017, compared with Euro 230,779 thousand (12.3% of net revenues) in 2016, an increase of Euro 25,937 thousand.

These expenses relate to departments operating in sales. A portion of the costs are related to personnel working in sales and marketing. The item also contains web marketing costs, costs for charges on credit card transactions and other methods of payment made to intermediaries for payment collection services, as well as expenses relating to customs duties on purchases relating to the import and export of goods sold.

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

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
COST OF SERVICES	(189,518)	(172,171)	(17,347)
PERSONNEL EXPENSES	(54,610)	(51,695)	(2,915)
DEPRECIATION AND AMORTISATION	(6)	(3)	(3)
OTHER COSTS	(12,581)	(6,910)	(5,671)
TOTAL	(256,716)	(230,779)	(25,937)

The cost of services grew by Euro 17,347 thousand from Euro 172,171 thousand in 2016 to Euro 189,518 thousand in 2017. The main components of the cost of services in 2017 were:

- web marketing costs of Euro 91,664 thousand (Euro 62,966 thousand in 2016). 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;
- expenses for credit card transactions of Euro 44,772 thousand (Euro 38,126 thousand in 2016);
- import and export duties totalling Euro 11,664 thousand (Euro 14,028 thousand in 2016).
- Costs for fraud relating to e-commerce activities of Euro 11,802 thousand (Euro 10,368 thousand in 2016).

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Personnel expenses rose from Euro 51,695 thousand in 2016 to Euro 54,610 thousand in 2017, with an increase of 5.6%, determined by the increase in the number of employees involved in this function. Personnel expenses include the cost of employees as well as costs equivalent to personnel expenses relating to interns, contractors and consultants.

Other costs increased by 82.1% from Euro 6,910 thousand in 2016 to Euro 12,581 thousand in 2017.

8.5 GENERAL EXPENSES

General expenses include all the overhead costs of the Group's various offices pertaining to personnel management, administration, finance and control, communications and image, general management, general services and technological services.

Expenditure in this area totalled Euro 283,927 thousand in 2017, compared with Euro 248,683 thousand in 2016, an increase of Euro 35,244 thousand.

General expenses can be broken down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
COST OF SERVICES	(87,892)	(91,401)	3,509
PERSONNEL EXPENSES	(96,486)	(79,337)	(17,149)
DEPRECIATION AND AMORTISATION	(99,549)	(77,945)	(21,604)
TOTAL	(283,927)	(248,683)	(35,244)

The cost of services decreased by Euro 3,509 thousand from Euro 91,401 thousand in 2016 to Euro 87,892 thousand in 2017.

Personnel expenses rose by Euro 17,149 thousand, from Euro 79,337 thousand in 2016 to Euro 96,486 thousand in 2017. Personnel expenses include the cost of employees as well as costs equivalent to personnel expenses relating to interns, contractors and consultants.

Depreciation and amortisation rose from Euro 77,945 thousand in 2016 to Euro 99,549 thousand in 2017, an increase of 27.7%.

8.6 OTHER INCOME AND EXPENSES

Other net expense totalled a negative figure of Euro 3,579 thousand for the year ended 31 December 2017, down by Euro 2,560 thousand on the negative figure of Euro 6,139 thousand in 2016.

Other income and expenses can be broken down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
NET EXTRAORDINARY INCOME/(LIABILITIES)	(1,423)	(2,680)	1,257
THEFT AND LOSSES	(2,096)	(1,708)	(388)
OTHER TAX LIABILITIES	(382)	(509)	127
OTHER INCOME AND EXPENSES	(1,232)	(461)	(653)
PROVISIONS FOR SUNDRY RISKS	1,468	(448)	1,680
REIMBURSEMENTS	203	(332)	535
TOTAL	(3,579)	(6,139)	2,560

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Net extraordinary items went from a negative balance of Euro 2,680 thousand in 2016 to a negative balance of Euro 1,423 thousand in 2017. The item includes income and expenses resulting from ordinary operating activities.

Theft and losses relates to the theft and losses of goods destined for final customers that have already occurred at the closing date of the financial year.

Other tax liabilities increased from Euro 509 thousand in 2016 to Euro 382 thousand in 2017, a decrease of 25.0%.

Provisions for sundry risks in 2017 relate to the estimated charge incurred due to theft and loss of goods not identified as missing at the reporting date.

8.7 NON-RECURRING EXPENSES

Non-recurring expenses are associated with extraordinary transactions, which include primarily expenses for legal, tax, accounting, financial and strategic consulting services, as well as other general expenses connected with the relative extraordinary transactions. Both at 31 December 2017 and at 31 December 2016, this item had a zero balance.

8.8 OPERATING PROFIT

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

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
NET REVENUES	2,091,040	1,870,660	220,379
CHANGE IN INVENTORIES OF GOODS	168,680	65,638	103,042
PURCHASE OF GOODS	(1,286,779)	(1,057,822)	(228,957)
SERVICES	(515,505)	(471,809)	(43,696)
PERSONNEL EXPENSES	(244,756)	(215,292)	(29,464)
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(110,468)	(91,169)	(19,299)
OTHER COSTS AND REVENUES	(56,190)	(48,022)	(8,168)
OPERATING PROFIT	46,021	52,183	(6,162)

Operating profit was down from Euro 52,183 thousand in 2016 to Euro 46,021 thousand in 2017, which was 2.2% of net revenues in 2017 compared with 2.8% in 2016.

Personnel expenses include all employment related expenses, such as merit pay rises, promotions, cost-of-living adjustments, variable remuneration for 2017, unused leave and accruals to legal reserves required under collective agreement, as well as related social security contributions and the contributions to the post-employment benefits for Parent employees. These costs also include the fair value of stock options and the company incentive plan for employees, between the grant and vesting dates, with a direct matching entry in equity and payables to staff.

8.9 RESULT OF EQUITY INVESTMENTS

Income from equity investments as at 31 December 2017 was Euro 262 thousand and was the result of the valuation of the equity investment in the associate company. For more information, please see paragraph 8.16.

8.10 FINANCIAL INCOME AND EXPENSE

Financial income increased from Euro 12,451 thousand in 2016 to Euro 14,852 thousand in 2017.

The following table shows the breakdown of financial income:

DESCRIPTION	31 DECEMBER 2017	31 DECEMBER 2016	CHANGE
EXCHANGE RATE GAINS	12,997	11,434	1,563
OTHER FINANCIAL INCOME	1,704	491	1,213
INTEREST INCOME ON CURRENT ACCOUNTS	151	526	(375)
TOTAL	14,852	12,451	2,401

Exchange rate gains went from Euro 11,434 thousand in 2016 to Euro 12,997 thousand in 2017. These gains arose mainly from the translation of items in US dollars and yen and are closely connected with the ordinary sales and purchase of goods.

Other financial income went from Euro 491 thousand in 2016 to Euro 1,704 thousand in 2017, while interest income on current accounts went from Euro 526 thousand in 2016 to Euro 151 thousand in 2017.

Financial expenses went from Euro 16,511 thousand in 2016 to Euro 36,371 thousand in 2017.

The following table shows the breakdown of financial expenses:

DESCRIPTION	31 DECEMBER 2017	31 DECEMBER 2016	CHANGE
EXCHANGE RATE LOSSES	(23,262)	(12,840)	(10,422)
OTHER FINANCIAL EXPENSES	(11,232)	(1,446)	(9,786)
INTEREST EXPENSES	(1,877)	(2,225)	348
TOTAL	(36,371)	(16,511)	(19,860)

Realised and unrealised exchange rate losses totalled Euro 12,840 thousand in 2016 and Euro 23,262 thousand in 2017. They mainly relate to the translation of items in US dollars and Japanese yen and are strictly related to the ordinary sale and purchase of goods.

Other financial expense, which went from Euro 1,446 thousand in 2016 to Euro 11,232 thousand in 2017, refers to bank sureties issued by credit institutions to third parties on the Group's behalf. This item also includes premiums paid for exchange rate risk hedging agreements, as well as the recognition of their fair value.

Interest expense of Euro 1,877 thousand at 31 December 2017 declined by Euro 348 thousand, as a result of the new loans taken out during the period.

8.11 TAXES

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

DESCRIPTION	31 DECEMBER 2017	31 DECEMBER 2016	CHANGE
CURRENT CORPORATE INCOME TAX (IRES) - PARENT COMPANY (1)	-	-	-
CURRENT REGIONAL INCOME TAX (IRAP) - PARENT COMPANY (2)	-	-	-
CURRENT INCOME TAX - FOREIGN COMPANIES	(28,409)	(21,127)	(7,282)
DEFERRED TAXES	20,907	6,562	14,345
TOTAL TAXES	(7,503)	(14,565)	7,062

(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 incurred a greater tax burden in absolute terms than at 31 December 2016. The current taxes increased from Euro 21,127 thousand in 2016 to Euro 28,409 thousand in 2017, entirely attributable to the Group's foreign companies. The current taxes include the tax effect of releasing certain allocations made in previous years relative to compliance and operating risks.

As at 31 December 2017, the Group recorded net positive deferred taxes of Euro 20,907 thousand.

8.12 BASIC AND DILUTED EARNINGS PER SHARE

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

CALCULATION OF BASIC EPS	31 DECEMBER 2017	31 DECEMBER 2016
BASIC EARNINGS	18,571	33,930
AVERAGE NUMBER OF SHARES	133,901,850	132,636,456
BASIC EPS	0.14	0.26

CALCULATION OF DILUTED EPS	31 DECEMBER 2017	31 DECEMBER 2016
BASIC EARNINGS	18,571	33,930
AVERAGE NUMBER OF SHARES	133,901,850	132,636,456
AVERAGE NUMBER OF SHARES GRANTED WITHOUT CONSIDERATION	835,095	1,033,917
TOTAL	134,736,944	133,670,373
DILUTED EPS	0.14	0.25

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The average number of shares granted without consideration as at both 31 December 2017 and 31 December 2016, used to calculate diluted EPS relates to the granting of shares under existing stock option plans which, as stated in IFRS 2, can be converted on the basis of vesting conditions in the respective years.

In calculating the basic earnings per share (Basic EPS) and the diluted earnings per share (Diluted EPS) given in the table above, the repurchase of 162,000 treasury shares which took place between 2 July 2010 and 7 November 2011 has been taken into account. Treasury shares repurchased were deducted in the calculation of the average number of outstanding ordinary shares net of 31,338 shares, 4,801 shares, 20,255 shares, 378 shares, 48,464 shares, 4,829 shares and 24,596 shares relating to the Company Incentive Plan, granted respectively on 6 August 2012, 10 January 2013, 27 May 2013, 3 June 2013, 1 August 2013, 14 January 2014 and 13 May 2014 to 46 beneficiaries and 10,000 shares granted on 16 January 2015.

STATEMENT OF FINANCIAL POSITION

8.13 PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2017, property, plant and equipment totalled Euro 153,875 thousand. The following is a summary of changes therein in 2017:

DESCRIPTION	HISTORICAL COST		INCREASES		DECREASES		HISTORICAL COST		ACC. DEPRECIATION		AMORTISATION		UTILISATION		ACC. DEPRECIATION		EXCHANGE DIFFERENCE FROM CONVERSION		EXCHANGE DIFFERENCE FROM CONVERSION		NET CARRYING AMOUNT		NET CARRYING AMOUNT	
	AS AT 31/12/2016	AS AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017	AT 31/12/2016	AT 31/12/2017	AT 31/12/2016	AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017
PLANT AND EQUIPMENT	87,082	91,379	4,331	(34)			91,379	(35,013)		(41,517)	(993)	(2,550)	32	(6,537)	(993)	(2,550)	51,076	47,312						
BUILDINGS	69,855	82,055	12,200	0			82,055	(35,304)		(43,006)	(460)	(3,666)	0	(7,702)	(460)	(3,666)	34,091	35,383						
LEASEHOLD IMPROVEMENTS	69,855	82,055	12,200	0			82,055	(35,304)		(43,006)	(460)	(3,666)	0	(7,702)	(460)	(3,666)	34,091	35,383						
INDUSTRIAL AND COMMERCIAL EQUIPMENT	5,824	7,245	1,604	(182)			7,245	(3,591)		(4,438)	(95)	(40)	168	(1,015)	(95)	(40)	2,138	2,767						
OTHER ASSETS	75,654	93,100	18,838	(1,393)			93,100	(45,777)		(59,489)	(901)	(1,305)	1,226	(14,938)	(901)	(1,305)	28,977	32,306						
FURNITURE AND FURNISHINGS	12,921	14,433	1,628	(116)			14,433	(10,195)		(11,498)	(196)	(303)	106	(1,319)	(196)	(303)	2,529	2,649						
ELECTRONIC EQUIPMENT	61,275	77,085	17,079	(1,270)			77,085	(34,407)		(46,646)	(700)	(981)	1,114	(13,354)	(700)	(981)	26,169	29,457						
OTHER TANG. ASSETS	1,458	1,582	131	(7)			1,582	(1,175)		(1,362)	(6)	(21)	7	(193)	(6)	(21)	277	199						
ASSETS UNDER CONSTRUCTION AND PAYMENTS ON ACCOUNT	14,305	36,385	29,415	(7,335)			36,385	-		-	-	(277)	-	-	-	(277)	14,305	36,107						
GENERAL TOTAL	252,721	310,164	66,206	(8,763)			310,164	(119,685)		(148,450)	(2,451)	(7,838)	1,427	(30,192)	(2,451)	(7,838)	130,586	153,875						

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The overall net increase in property, plant and equipment in 2017 amounted to Euro 23,290 thousand.

Capital expenditures mainly entailed investments in the highly automated technical and logistical platform. The Company has been investing in the project since the fourth quarter of 2010 that, during the year, led to the development of the logistical centre in Landriano (PV) and the expansion of the logistical centre in Bentivoglio (BO). These investments were mainly posted to assets under construction (Euro 36,107 thousand).

This involved an increase in the item "Plant and equipment" of Euro 4,331 thousand as well as the item "Buildings" in an amount equal to Euro 12,200 thousand, and in the item "Equipment" in the amount of Euro 1,604 thousand.

The total increase in "Other Assets", amounting to Euro 18,838 thousand, is due to the combined effect of the investment in new servers, PCs and monitors, also held under finance leases, for an increase of Euro 17,079 thousand, and investments made in furniture as regards the remainder.

Depreciation during the year totalled Euro 30,192 thousand.

As at 31 December 2017, there were no liens or encumbrances on YOOX NET-A-PORTER GROUP S.p.A. property, plant and equipment.

Moreover, no impairment losses or revaluations were carried out on items of property, plant and equipment in 2017. In the period under review, no financial expenses were ascribed to asset entries in the statement of financial position.

8.14 INTANGIBLE ASSETS WITH FINITE USEFUL LIFE

Intangible assets amounted to Euro 482,658 thousand as at 31 December 2017.

The following is a summary of changes in intangible assets with finite useful life in 2017.

DESCRIPTION	HISTORICAL COST	INCREASES	DECREASES	HISTORICAL COST	ACC. AMORTISATION	ACC. AMORTISATION	USES	AMORTISATION	ACC. AMORTISATION	EXCHANGE DIFFERENCE FROM CONVERSION	EXCHANGE DIFFERENCE FROM CONVERSION	NET CARRYING AMOUNT	NET CARRYING AMOUNT
	AS AT 31/12/2016			AS AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017			AS AT 31/12/2017	AT 31/12/2016	AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017
DEVELOPMENT COSTS	147,093	64,785	(2,236)	209,641	(91,151)	(131,069)	(40,422)	504	(131,069)	(1,477)	(2,059)	54,465	76,513
SOFTWARE AND LICENCES	31,747	7,076	-	38,823	(20,018)	(29,000)	(8,982)	-	(29,000)	(249)	(244)	11,480	9,579
BRANDS AND OTHER RIGHTS	3,020	255	-	3,275	(2,832)	(2,953)	(121)	-	(2,953)	(10)	(32)	179	290
TRADEMARKS AND PATENTS	3,020	255	-	3,275	(2,832)	(2,953)	(121)	-	(2,953)	(10)	(32)	179	290
ASSETS UNDER DEVELOPMENT	52,547	74,366	(30,611)	96,303	-	-	-	-	-	-	(365)	52,547	95,938
OTHER	376,617	-	(10)	376,607	(35,211)	(65,953)	(30,752)	10	(65,953)	1,385	(10,305)	342,791	300,338
BRAND	308,412	-	-	308,412	(21,482)	(41,562)	(20,080)	-	(41,562)	920	(8,914)	287,850	257,936
CUSTOMER LIST	65,104	-	-	65,104	(11,337)	(21,934)	(10,597)	-	(21,934)	486	(1,286)	54,253	41,884
OTHER INTANGIBLE ASSETS	3,101	-	(10)	3,091	(2,393)	(2,458)	(75)	10	(2,458)	(21)	(104)	687	518
GENERAL TOTAL	611,023	146,482	(32,857)	724,649	(149,213)	(228,975)	(80,276)	514	(228,975)	(351)	(13,005)	461,460	482,658

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

Development costs

In 2017 the Group made significant investments in multi-year development projects amounting to Euro 108,540 thousand (Euro 74,366 thousand of which was for developments in progress). These are costs incurred by the Group for specific projects aimed at the ongoing development of innovative solutions for the creation and management of online stores. The development projects were categorised on the basis of the issue for which the various procedures were carried out: development of e-commerce platform functionality, operational development of productivity, and development of security and continuity of service.

These costs relate both to internal personnel expenses and to the costs of services provided by third parties. In keeping with the strategy established in previous years, the number of development projects outsourced to external suppliers increased significantly. Expenses for research-related activities, which are carried out with a view to obtain new scientific or technical knowledge and discoveries, are recognised in the income statement at the time they are incurred.

Software and licences

The increase of Euro 7,076 thousand to this assets includes expenditure with long-term benefits, principally relating to the acquisition of software licences to build the infrastructure of the online stores, and in particular the development of the new order management service system.

Assets under development and payments on account

Not all projects under development in 2017 were completed by 31 December 2017. These totalled Euro 95,938 thousand and were due to IT and integration developments that have not been completed.

Amortisation of intangible assets with a finite useful life totalled Euro 80,276 thousand during the year, of which Euro 30,677 thousand related to allocations of amounts to the brand and to the customer list acquired as part of the merger between YOOX GROUP and THE NET-A-PORTER GROUP.

8.15 PURCHASE PRICE ALLOCATION AND GOODWILL

Goodwill of Euro 1,188,659 thousand as at 31 December 2017 was due to the combined effect of the carrying amount of the goodwill arising from the merger of Largenta Italia S.p.A., which took effect on 5 October 2015 for legal and accounting purposes, into YOOX NET-A-PORTER GROUP S.p.A. and the determination of the Purchase Price Allocation process.

BRAND

The brand falls under intangible assets relating to marketing identified by IFRS 3 as a potential intangible asset identified during purchase price allocation.

With reference to the acquisition of THE NET-A-PORTER GROUP, it was considered appropriate to limit the analysis to a single brand, with "Net-A-Porter.com" considered an umbrella brand – this means that consumers associate its other brands to it, clearly identifying the "Net-A-Porter experience".

For the initial valuation of the brand, both market methods and fundamental methods based on cash flows were used.

Following the allocation process, this intangible asset was recorded at 31 December 2017 in the amount of Euro 297,620 thousand with a definite useful life of 15 years.

In 2017, the amortisation charge of the relevant asset (Euro 20,080 thousand, before taxes and Euro 16,064 thousand after taxes) was posted to the income statement.

At 31 December 2017, the company verified that there were no signs of impairment.

CUSTOMER LIST

Over the years, THE NET-A-PORTER GROUP has built up a significant portfolio of ongoing relations with clients worldwide, leveraging on the quality and variety of its offer, supported by editorial content, and a reliable and personalised service.

In light of the characteristics mentioned above relating to the use of the brand, the customer list was considered as a single asset, drawing on the contributions made from all currently operational websites.

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Following the allocation process, this intangible asset was recorded at 31 December 2017 in the amount of Euro 62,826 thousand with a definite useful life of 6 years.

In 2017, the amortisation charge of the relevant asset (Euro 10,597 thousand, before taxes and Euro 8,478 thousand after taxes) was posted to the income statement.

At 31 December 2017, the company verified that there were no signs of impairment.

OUTCOME OF PROCEDURES

This goodwill has been subjected to an impairment test using the process approved by the Parent Company YOOX NET-A-PORTER GROUP's Board of Directors on 15 January 2018; it did not show signs of potential impairment.

For the purpose of the impairment test, the YOOX NET-A-PORTER GROUP was considered to be the sole CGU based on the following:

- there is a single, integrated strategy for managing the Group's logistics and technology platforms;
- management and control activities are performed centrally by a single, dedicated management team;
- inventory management is centralised and unified at Group level;
- the Group's products and the active market for these products show similar characteristics;
- the business plan does not provide for subdivisions by business area, in line with the Group's management as a single entity;
- consistency and alignment with the representation of the Group provided to the market.

The recoverable value of the CGU was calculated, with the help of external consultants, as value in use, taken as the sum of the current net value of operating cash flows (discounted for this purpose using the Discounted Cash Flow method) taken from the 2018 budget from the group's financial business plan and from a terminal value at the end of this period. At the end of the period relating to cash flows based on the financial projections for 2020, a terminal value was estimated to reflect the value of the CGU beyond the period of the plan, based on a going concern assumption. This terminal value was calculated as a perpetual yield taking into account a long-term growth rate ("g rate") of 2.5%

The discount rate was calculated as the weighted average cost of capital (WACC) in a post-tax configuration, calculated as the weighted average of the cost of own capital, calculated on the basis of the Capital Asset Pricing Model and the cost of Group debt.

The rate, pursuant to IAS 36, was calculated with reference to the operating risk level of the sector and the financial structure of a sample of listed companies comparable to the Group in terms of risk profile and sector. The discount rate used, equal to 8.6%, was calculated to reflect the risk of the geographical areas in which the Group operates (Europe, UK, USA, Asia) and considering as a factor for weighting the WACC for each geographical area the breakdown of the turnover for the last year of explicit forecast (2020). Specifically, the calculation considers the following elements:

- risk-free rate: government bond specific to the country of reference for each area (3.7% Europe, conservatively represented by Italy, 1.2% UK, 2.3% USA, 2.4% Asia)
- unlevered beta: 0.91
- market risk premium: market consensus (5.5% Europe, 5% UK, 5% USA, 7.2% Asia)

The approach that takes account of implied country risk in the risk-free rate was used to calculate the discount rates.

With regard to the risk-free rate, the figure for Italy takes into account the average return on the 10-year US government bond adjusted for the anticipated US inflation and expressed at the projected Italian inflation rate and increased by the spread between the Italian and US credit default swap. For the other countries (UK, US, China and Japan), the risk-free rate was estimated as the average of returns on the respective government bonds in the 12 months before the reference date for the valuation.

The beta refers to a three-year recorded beta for a basket of comparable companies.

Based on simulations using the above parameters, there is no evidence of impairment to the goodwill or other activities recorded as at 31/12/2017.

The Group performed several sensitivity analyses on the results of the test compared with the change in the basic assumptions (WACC discount rate, "g" growth rate and long-term profitability) which affect the value in use of the cash generating units. Based on the assumptions taken as a reference in conducting the impairment tests, the recoverable value of the CGU assets demonstrates an excess recoverable value compared with the book value of Euro 867 thousand. To make the recoverable value equal to the carrying amount, a change would be needed in the following parameters taken individually with other parameters remaining constant: increase in WACC from 8.6% to 11.7% (+3.1%) or a negative growth rate in terminal value equal to -0.4% or a reduction in EBITDA margin excluding incentive plan costs projected for 2020 from 11% to 8.8%.

Given that the determination of the recoverable value is based on estimates, the Group cannot be sure that there will be no impairment of goodwill in future periods. Given the current weak market environment, various factors used in the processing of the estimates could be reviewed; the YNAP Group will constantly monitor these factors and the existence of losses in value.

8.16 INVESTMENTS IN ASSOCIATED COMPANIES

The non-current item as at 31 December 2017 stood at Euro 963 thousand.

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
INVESTMENTS IN ASSOCIATED COMPANIES	963	701	262
TOTAL	963	701	262

The change in the item as at 31 December 2017 was due to the valuation of the associate at equity. The table below provides a summary of the operational data of the 49%-owned associate.

INVESTMENT	END OF YEAR DATE	OWNERSHIP %	INVESTMENT	INVESTMENT PROFIT/(LOSS)	EQUITY	SHARE OF PROFIT/(LOSS)
E_LITE S.P.A.	31 DECEMBER	49%	963	631	1,965	309
TOTAL	-	-	963	631	1,965	309

8.17 DEFERRED TAX ASSETS

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
DEFERRED TAX ASSETS	62,958	53,043	9,915
TOTAL	62,958	53,043	9,915

Changes in deferred tax assets during 2017 are shown in the following table:

DESCRIPTION	BALANCE AS AT 31/12/2016	INCREASES	UTILISATION	EXCHANGE RATE DIFFERENCE FROM CONSOLIDATION	BALANCE AS AT 31/12/2017
DEFERRED TAX ASSETS	53,043	46,579	(33,680)	(2,983)	62,958
TOTAL	53,043	46,579	(33,680)	(2,983)	62,958

The deferred tax assets pertaining to the allowance for impairment, the provision for obsolete inventories and the provisions for risks and charges also include the amount pertaining to provisions made by foreign subsidiaries.

8.18 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets totalled Euro 2,730 thousand at 31 December 2017 (compared with Euro 2,837 thousand at 31 December 2016), corresponding mainly to security deposits. Other non-current financial assets are due to be repaid in more than five years' time.

8.19 INVENTORIES

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
INVENTORIES	704,228	578,200	126,027
TOTAL	704,228	578,200	126,027

Inventories as at 31 December 2017 and 31 December 2016 break down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
INVENTORIES OF RAW MATERIALS, CONSUMABLES AND SUPPLIES	2,626	1,996	630
TOTAL	2,626	1,996	630
FINISHED PRODUCTS AND GOODS	772,090	645,993	126,097
PROVISION FOR OBSOLETE FINISHED PRODUCTS AND GOODS	(70,488)	(69,788)	(700)
TOTAL	701,602	576,205	125,397
TOTAL NET INVENTORIES	704,228	578,200	126,027

Inventories rose by 21.8% from Euro 578,200 thousand as at 31 December 2016 to Euro 704,228 thousand as at 31 December 2017, and relate to goods that have been purchased for subsequent resale online.

The observable increase is only partially related to revenue growth in 2017. The increase is due to the business model that assumes a greater obligation to procure merchandise in advance, which can affect the year before the sale season.

Goods from previous collections and/or obsolete goods are written down with a provision for obsolete inventories, calculated using the estimated realisable value of the goods. This estimate of realisable values also takes into account the expected effects of new sales policies.

The amount of the provision in 2017 for obsolete inventories and changes in the provision are shown below:

DESCRIPTION	BALANCE AS AT 31/12/2016	INCREASES	DECREASES	CONS. EFFECT.	BALANCE AS AT 31/12/2017
PROVISION FOR OBSOLETE INVENTORIES	(69,788)	(7,347)	2,017	4,630	(70,488)
TOTAL	(69,788)	(7,347)	2,017	4,630	(70,488)

The reserve for obsolete inventories has a carrying amount deemed appropriate for the actual quantities of obsolete or slow-moving goods on hand. Note that during the year an obsolescence provision was used, amounting to Euro 2,017 thousand, as a result of the sale of goods for which it had been set aside. The provision for the year however stands at Euro 7,347 thousand.

8.20 TRADE RECEIVABLES

The breakdown of trade receivables as at 31 December 2017 is as follows:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
DUE FROM CUSTOMERS	27,183	10,087	17,097
OTHER TRADE RECEIVABLES	25,449	22,434	3,015
ALLOWANCE FOR IMPAIRMENT	(134)	(134)	-
TOTAL	52,499	32,387	20,112

The receivables due from customers are fully recoverable within 12 months and relate to trade receivables for the sale of goods to individuals.

Other trade receivables mainly relate to receivables from Online Stores, chiefly for the provision of services. This item includes, among other things, services which refer to set-up fees incurred by the Group in relation to Strategic Partners for the design and implementation activities the Group carries out for online stores.

The table below shows changes in the allowance for impairment in 2017:

DESCRIPTION	BALANCE AS AT 31/12/2016	INCREASES	DECREASES	BALANCE AS AT 31/12/2017
ALLOWANCE FOR IMPAIRMENT	(134)	-	-	(134)
TOTAL	(134)	-	-	(134)

The allowance for impairment covers specific risks relating to unpaid receivables and other receivables not considered recoverable. In 2017, it was not deemed appropriate to allocate additional provisions to adjust the coverage of receivable-related risks. In fact, provisions made in previous years adjusted the receivables to their estimated realisable value.

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

8.21 OTHER CURRENT ASSETS

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
OTHER CURRENT ASSETS	45,975	48,171	(2,197)
TOTAL	45,975	48,171	(2,197)

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The following is a breakdown of other current assets as at 31 December 2017:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
OTHER RECEIVABLES	1,482	1,726	(244)
ALLOWANCE FOR IMPAIRMENT – RECEIVABLES FROM OTHERS	-	(221)	221
ADVANCES TO SUPPLIERS	2,230	69	2,161
ADVANCES TO EMPLOYEES	207	168	39
PREPAYMENTS AND ACCRUED INCOME	31,940	29,933	2,007
TAX RECEIVABLES	10,117	16,496	(6,380)
TOTAL	45,975	48,171	(2,195)

The item “Other receivables” mainly includes credit notes received from suppliers for which the latter must still refund money to the Company and from advance payments to the supplier for the purchase of goods for which the corresponding invoices have not yet been received (e.g. payments on order, prepayments).

The “Prepayments” item mainly comprises costs relating to future periods but incurred in 2017. These mainly consist of software licence fees, insurance costs, rental costs, prepaid royalties to use trademarks and prepaid professional consulting services. The increase compared with 2017 was consistent with both the higher business volumes and the acquisition carried out during the year.

Tax receivables, which are fully recoverable by the end of the following year, comprise receivables for direct and indirect taxes.

8.22 CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS

The breakdown of the item “Cash and cash equivalents” as at 31 December 2017 is as follows:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
BANK AND POSTAL ACCOUNTS	262,315	155,447	106,868
CASH AND CASH EQUIVALENTS ON HAND	18	18	-
TOTAL	262,333	155,465	106,868

The balance, entirely denominated in euros except where expressly indicated, represents the cash and cash equivalents on hand at year-end deposited at major banks, readily available and free from liens.

The following is a breakdown of current financial assets as at 31 December 2017:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
DUE FROM ACQUIRERS	39,113	54,584	(15,471)
INVESTMENTS	10,722	10,475	247
DUE FROM ASSOCIATE COMPANIES	-	-	-
PREPAYMENTS AND ACCRUALS	612	1,935	(1,323)
TOTAL	50,448	66,995	(16,547)

8.23 EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT AND TO MINORITY INTERESTS

The breakdown of changes in equity as at 31 December 2017 is presented in a separate table.

The share capital of Euro 1,339,762.93 at 31 December 2017 (Euro 1,327,413.05 at 31 December 2016) increased over the course of 2017 following the capital increase deriving from the exercise of stock options by the beneficiaries in question.

The reserves are composed as follows:

- the share premium reserve was Euro 2,022,194 thousand as at 31 December 2017 (Euro 2,041,058 thousand as at 31 December 2016); this reserve increased over the course of the year following the exercise of stock options by their beneficiaries worth Euro 298 thousand. We also note that following the approval of the 2016 loss, the use of Euro 19,162 thousand from this reserve to cover the loss was approved.
- other equity-related reserves totalled Euro 19,944 thousand and are attributable to the other reserves generated as a result of the contribution of the minority shareholder YNAP Middle East Holding LTD, Symphony Global LLC, of Euro 29,756 thousand (of which contributions of Euro 9,812 thousand were recognised as equity attributable to minority interests and presented separately).
- the legal reserve, which totalled Euro 267 thousand as at 31 December 2017 (Euro 260 thousand as at 31 December 2016), consists of accruals of 5% of Parent Company profits every year. Over the year, following the Board of Directors' resolution, this was increased by Euro 7 thousand.
- the purchase of treasury shares, with a negative balance of Euro 162 thousand, is recorded as a direct decrease in shareholders' equity in compliance with the provisions of IAS 32;
- translation reserve, which had a negative balance of Euro 315,455 thousand as at 31 December 2017 (compared with Euro 240,777 thousand as at 31 December 2016), reflects exchange rate differences arising from the translation of financial statements denominated in foreign currency. The change versus 31 December 2017 was negative in the amount of Euro 74, 678 thousand; this reserve was heavily impacted by fluctuations in the GBP, the currency in which the merger dated 5 October 2015 was conducted.
- other reserves, equal to Euro 46,979 thousand as at 31 December 2017 (Euro 33,447 thousand as at 31 December 2016) include the reserve for the fair value measurement of the stock options, equal to Euro 34,331 thousand as at 31 December 2017 (Euro 34,331 thousand at 31 December 2016), the cash flow hedge reserve, equal to a negative amount of Euro 824 thousand (a negative amount of Euro 824 thousand as at 31 December 2016), and the reserve for actuarial gains and losses from the measurement of post-employment benefits, a negative figure in the amount of Euro 67 thousand (a negative amount of Euro 60 thousand as at 31 December 2016).
- retained earnings (losses carried forward) of Euro 119,985 thousand as at 31 December 2017 (Euro 66,900 thousand as at 31 December 2016), increased by Euro 53,085 thousand due to the allocation of profit for 2016 (Euro 53,093 thousand – net of the loss of the parent company, covered by the share premium reserve) and their allocation to the legal reserve (Euro 7 thousand).

Equity attributable to minority interests is allocated as shown in the following table:

NAME	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
YNAP MIDDLE-EAST (SYMPHONY)	8,430	-	8,430
TOTAL	8,430	-	8,430

Breakdown of equity attributable to third parties:

	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
SHARE CAPITAL	-	-	-
SHARE PREMIUM ACCOUNT	-	-	-
TRANSLATION RESERVE	-	-	-
OTHER RESERVES	9,740	-	9,740
NET INCOME FOR THE YEAR	(1,310)	-	(1,310)
TOTAL	8,430	-	8,430

8.24 STOCK OPTION PLANS AND INCENTIVE PLANS

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

On 27 April 2012, pursuant to Article 114-bis of Legislative Decree 58/1998, the Shareholders' Meeting approved the establishment of an incentive and loyalty plan known as the "Stock Grant Plan" for employees of the Issuer and companies directly or indirectly controlled by it, to be implemented through the granting, free of charge, of a total of 550,000 of the Company's ordinary shares, giving the Board of Directors the mandate to adopt the relevant regulations. As at the date of the document, the plan had not been implemented.

On 16 December 2015, the Extraordinary General Meeting, pursuant to Article 114-bis of Legislative Decree 58/1998, approved a new incentive and loyalty scheme known as the 2015-2025 Stock Option Plan reserved for directors, executives and employees of YNAP and companies directly or indirectly controlled by it, to be implemented through the free granting of options valid for subscribing new issue YNAP ordinary shares.

The Plan provides for the issue of up to 6,906,133 new YNAP ordinary shares, with no indication of nominal value, with the same characteristics as those outstanding and with regular dividend rights.

On the same date, the Board of Directors also approved the Plan Regulation.

Share capital increases to service Stock Option Plans

On 16 December 2015, the extraordinary shareholders' meeting approved the capital increase servicing the 2015-2025 Stock Option Plan, for a maximum nominal amount of Euro 69,061.33 through a capital contribution in one or more tranches, pursuant to article 2441, paragraphs 5 and 6 of the Italian Civil Code, and therefore with the exclusion of option rights, by issuing a maximum of 6,906,133 new YNAP ordinary shares, with no indication of nominal value, with the same characteristics as those outstanding and with regular dividend rights.

The deadline for subscription to the capital increase has been set as 31 December 2025, with the provision that if the capital increase has not been fully subscribed by this deadline, the share capital shall, pursuant to article 2439, paragraph 2 of the Italian Civil Code, be deemed to be increased by an amount equal to the subscriptions received up to that moment and with effect from that moment, provided that these resolutions have been filed with the Register of Companies.

Granting of Stock Options

It should be noted that, following approval of the share-split at the Extraordinary Shareholders' Meeting of the Parent Company on 8 September 2009, beneficiaries of Stock Option Plans, except for the "2015-2025 Stock Option Plan", exercising their options will be entitled to 52 ordinary shares of the Company for every option exercised. The "2015-2025 Stock Option Plan" calls for a ratio of one share for every option exercised.

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With reference to the following Stock Option Plans reserved for employees, associates, consultants and directors of the Company and its subsidiaries, as at 31 December 2017 the Board of Directors had granted the following options, outlined in the table below:

STOCK OPTION PLANS	GRANTED (A)	EXPIRED (B)	EXERCISED (C)	TOTAL GRANTED NOT EXPIRED OR NOT EXERCISED (D = A-B-C)	GRANTED, NOT VESTED	GRANTED, VESTED, NOT EXERCISABLE	GRANTED, VESTED AND EXERCISABLE
2001 – 2003	80,575	31,560	49,015	0	0	0	0
2003 – 2005	36,760	3,000	33,760	0	0	0	0
2004 – 2006	32,319	12,650	19,669	0	0	0	0
2006 – 2008	31,303	200	27,467	3,636	0	0	3,636
2007 – 2012	102,600	3,650	88,639	10,311	0	0	10,311
2009 – 2014	94,448	24,599	69,849	0	0	0	0
TOTAL	378,005	75,659	288,399	13,947	0	0	13,947

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

STRIKE PRICES IN EUROS	59.17	106.50	TOTAL OPTIONS	TOTAL SHARES
2006-2008	3,636	0	3,636	189,072
2007-2012	9,811	500	10,311	536,572
TOTAL	13,447	500	13,947	725,644

With reference to the “2015-2025 Stock Option Plans” reserved for employees, managers and directors of the Company and its direct or indirect subsidiaries, as at 31 December 2017 the Board of Directors had been granted the following options by the Board of Directors, outlined in the table below:

STOCK OPTION PLAN	GRANTED (A)	EXPIRED (B)	EXERCISED (C)	TOTAL GRANTED, NOT EXPIRED OR NOT EXERCISED (D = A-B-C)	GRANTED, NOT VESTED	GRANTED, VESTED, NOT EXERCISABLE	GRANTED, VESTED AND EXERCISABLE
2015 – 2025	7,621,147	1,326,000	0	6,295,147	6,295,147	0	0
TOTAL	7,621,147	1,326,000	0	6,295,147	6,295,147	0	0

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

In accordance with the provisions of the Plan, the subscription price of each share corresponds to the arithmetic mean of official prices registered for ordinary shares of YNAP on the Electronic Stock Exchange, on days the market is open for trading in the period between the Option Grant Date and the date on which the Options are assigned in the previous calendar month.

STRIKE PRICE FOR THE PERIOD	€22.03	€23.61	€24.64	€25.98	€26.97	€28.96	€32.47	€32.69	TOTAL OPTIONS	TOTAL SHARES
2015 – 2025	580,000	90,000	72,000	540,000	92,000	192,000	4,649,147	80,000	6,295,147	6,295,147
Total	580,000	90,000	72,000	540,000	92,000	192,000	4,649,147	80,000	6,295,147	6,295,147

Specifically, during 2017, the Company allocated:

- on 18 April 2017, the granting to 38 beneficiaries of 610,000 options valid for the subscription of 610,000 YNAP shares;
- on 21 June 2017, the granting to 2 beneficiaries of 72,000 options valid for the subscription of 72,000 YNAP ordinary shares;
- on 8 November 2017, the granting to 1 beneficiary of 80,000 options valid for the subscription of 80,000 YNAP ordinary shares;
- on 18 December 2017, the granting to 2 beneficiaries of 192,000 options valid for the subscription of 192,000 YNAP ordinary shares;

For more information regarding the main characteristics of the Plan, please refer to the Prospectus issued pursuant to Article 84-bis of Consob Regulation 11971/1999 (as updated on 06 March 2018, available on the Company's website www.ynap.com (Governance Section - Documents, Principles and Procedures - Corporate Documents)).

8.25 MEDIUM-LONG TERM FINANCIAL LIABILITIES – BANK LOANS AND OTHER CURRENT FINANCIAL PAYABLES

Bank loans and other financial liabilities stood at Euro 229,044 thousand, an increase of Euro 112,423 thousand compared with 31 December 2016 (Euro 116,621 thousand).

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
MEDIUM/LONG-TERM FINANCIAL LIABILITIES	157,666	98,982	58,684
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	71,378	17,639	53,739
TOTAL	229,044	116,621	112,423

The following table shows the breakdown of debt as at 31 December 2017:

LENDING INSTITUTION	REMAINING AMOUNT	RATE	SHORT-TERM PORTION	MEDIUM/LONG- TERM PORTION
INTESA	70,000	EURIBOR + 0.85%	20,006	49,994
BNL	55,000	EURIBOR + 0.85%	15,719	39,281
UNICREDIT	75,000	EURIBOR + 0.85%	21,435	53,565
EIB	18,246	FIX (AVG 1.66%)	9,081	9,165
FINANCE LEASES	10,798	FIXED	5,136	5,662
TOTAL	229,044	-	71,378	157,666

The summarised details of loan agreements and lines of credit stipulated in 2017 are given below:

Syndicated loans

On 21 July 2017, Tranche B of the syndicated loan signed on 4 August 2016 was disbursed.

Following this disbursement of Euro 125,000 thousand, the syndicated loan was fully utilised in an amount totalling Euro 200,000 thousand. The first principal payment will be repaid as of 30 June 2018 and then half-yearly.

The syndicate includes UniCredit Bank AG (agent bank), plus the lending banks Banca Nazionale del Lavoro S.p.A. (Euro 55,000 thousand), Mediocredito Italiano S.p.A., a member of the Intesa Sanpaolo group (Euro 70,000 thousand) and UniCredit S.p.A (Euro 75,000 thousand).

The interest rate is equal to the annual percentage resulting from the sum of Euribor for each interest period (subject to market fluctuations) and a margin of 0.85%. However, the interest rate may not go below 0%.

To protect itself against rising interest rates, the company signed IRS derivative financial instruments with the lending banks to hedge the entire amount lent.

COMMITMENTS OF A FINANCIAL NATURE (COVENANTS)

The Company, including for the purposes of article 1461 of the Italian Civil Code, recognises the essential nature of complying with the financial parameters, in accordance with the consolidated financial statements in the name of YOOX NET-A-PORTER GROUP S.p.A., accepting that the "Bank" can terminate the contracts if the financial situation recorded in the consolidated financial statements does not comply with any one of these parameters.

Below are the financial parameters for the loan agreed with Banca Nazionale del Lavoro, UniCredit and Banca Intesa:

- 1) the ratio between the Net Financial Position and EBITDA including the incentive plans must not be more than 2.5 until the total loan repayment;
- 2) the ratio between the net financial position and shareholders' equity must not be more than 1 times the total loan repayment.

The finance parameter for the loan taken out with the European Investment Bank is also provided:

- 1) the ratio between the net financial position and EBITDA excluding the incentive plans must not be more than 2.0 times the total loan repayment;
- 2) the ratio between the net financial position and shareholders' equity must not be more than 0.8 times the total loan repayment.

YOOX NET-A-PORTER GROUP S.p.A. notifies the "Banks" of the above financial parameters on a half-yearly basis, on 30 June and 31 December every year until the due date.

If any one of the above covenants is not complied with, YOOX NET-A-PORTER GROUP S.p.A., without prejudice to the right of the "Bank" to terminate the agreement, undertakes to reach an agreement with the "Bank", within 30 business days of the request, over the financial and management measures necessary to ensure that the covenants in question fall within the terms set, or, alternatively, to repay the loan in advance on the due date of the interest period in progress.

In relation to the aforementioned financing agreed, it should be noted that as at 31 December 2017, just as at 31 December 2016, the aforementioned financial parameters were complied with by the Group.

As at 31 December 2017, financing with other credit institutions is not governed by compliance with parameters of a financial and commercial nature.

YOOX NET-A-PORTER GROUP

Net financial position

The table below gives a breakdown of net financial position as at 31 December 2017:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
CASH AND CASH EQUIVALENTS	262,333	155,465	106,868
CURRENT FINANCIAL ASSETS	50,448	66,995	(16,547)
OTHER CURRENT FINANCIAL ASSETS	753	672	81
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	(71,378)	(17,639)	(53,739)
OTHER CURRENT FINANCIAL LIABILITIES	(799)	(1,809)	1,010
CURRENT NET FINANCIAL POSITION	241,357	203,684	37,673
MEDIUM/LONG-TERM FINANCIAL LIABILITIES	(157,666)	(98,982)	(58,684)
NET FINANCIAL POSITION³³	83,691	104,701	(21,011)

In 2017, the Group's net financial position deteriorated by Euro 21,011 thousand, going from a positive figure of Euro 104,701 thousand as at 31 December 2016 to a positive figure of Euro 83,691 thousand as at 31 December 2017.

8.26 EMPLOYEE BENEFITS

This item refers exclusively to the post-employment benefits recorded by the Parent Company in accordance with current legislation. Changes in defined benefit plans for employees in 2017 are summarised below:

DESCRIPTION	BALANCE AS AT 31 DECEMBER 2016	PROVISIONS	UTILISATION	BALANCE AS AT 31 DECEMBER 2017
EMPLOYEE BENEFITS	153	8	(2)	160
TOTAL	153	8	(2)	160

³³ Net debt (or net financial position) is the sum of cash and cash equivalents, other current financial assets, net of bank loans and other financial liabilities falling due within one year, other current financial liabilities, and medium/long-term financial liabilities. Net financial debt (or net financial position) is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union. The measurement criterion adopted by the Company might not be consistent with that adopted by other groups and, accordingly, the balance obtained by the Company may not be comparable with those calculated by such groups. For details of the items that make up net financial debt (or net financial position), see the table above in the section "Net financial position". "Other current financial assets" are not regulated in detail in the definition of net financial debt (or net financial position) of the CESR. The Group believes this definition should be integrated including claims vs. acquirers and logistics operators from whom cash on delivery is required under "Other current financial assets".

The main technical, demographic and economic parameters used in the actuarial calculation of employee benefits as at 31 December 2017 are summarised below:

ACTUARIAL ASSUMPTIONS USED FOR THE CALCULATIONS		-
SURVIVAL TABLES	ISTAT SIM AND SIF TABLES FOR 2016	
ANNUAL TURNOVER RATE		9.60%
PROBABILITY OF REQUESTS FOR ADVANCES		3%
DISCOUNT RATE	1.04% (IBOXX CORPORATES AA € 10+)	
INFLATION RATE		1.50%
% REQUESTS FOR ADVANCES		70.00%
NOMINAL REMUNERATION GROWTH RATE		1.50%

8.27 DEFERRED TAX LIABILITIES

The following tables show the breakdown of, and changes in, deferred tax liabilities as at 31 December 2017:

DESCRIPTION	BALANCE AS AT 31/12/2016	INCREASES	UTILIZ.	EXCHANGE RATE	BALANCE AS AT 31/12/2017
DEFERRED TAX LIABILITIES	77,140	2,133	(9,660)	(3,335)	66,278
TOTAL	77,140	2,133	(9,660)	(3,335)	66,278

DESCRIPTION OF TAXABLE ITEM	BALANCE AS AT 31/12/2017	2017 TAX RATE	TAX RECORDED IN 2017
POSITIVE FAIR VALUE (CFH) OF DERIVATIVES	753	24%	181
PPA – BRAND	258,693	20%	51,739
PPA – CL	41,127	20%	8,225
DEFERMENT - OTHER ITEMS	30,668	20%	6,134
TOTAL	331,241	-	66,278

8.28 PROVISIONS FOR CURRENT AND NON-CURRENT RISKS AND CHARGES

This item reflects provisions for estimated current liabilities as at 31 December 2017, the timing and extent of which cannot be determined. The following table shows the breakdown of the item and changes in 2017:

DESCRIPTION	BALANCE AS AT 31/12/2016	INCREASES	ADJUSTMENTS	UTILISATION	CHANGE IN SCOPE OF CONSOLIDATION	BALANCE AS AT 31/12/2017
PROVISION FOR THEFT AND LOSS	463	570	-	(463)	-	570
PROVISION FOR FRAUD	683	2,303	-	(683)	-	2,303
OTHER PROVISIONS FOR RISKS AND CHARGES	357	58	-	-	-	415
COMPLIANCE RISK	53,835	-	-	(33,534)	(1,483)	18,818
OPERATIONAL RISK	3,410	-	-	(3,331)	(80)	-
TOTAL PROVISIONS FOR CURRENT RISKS AND CHARGES	58,748	2,931	-	(38,011)	(1,563)	22,106

During the year, Euro 463 thousand from the provision for theft and loss was used, and it was therefore deemed appropriate to proceed with a further accrual of Euro 570 thousand, following a new estimate.

During the year, Euro 683 thousand was utilised from the provision for fraud, and it was therefore deemed appropriate to proceed with a further accrual of Euro 2,303 thousand, to cover against fraud committed via online sales paid for by credit card. This fraud coverage provision was calculated taking into account the historical incidence of the value of fraud in relation to the value of sales.

The use of compliance risk provisions is correlated to the positive resolution, in 2017, of certain situations that had generated such risks.

8.29 TRADE PAYABLES

The following table shows a breakdown of trade payables as at 31 December 2017:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
DUE TO SUPPLIERS	368,798	300,971	67,827
CREDIT NOTES TO BE RECEIVED FROM SUPPLIERS	(50,804)	(4,241)	(46,562)
INVOICES TO BE RECEIVED FROM SUPPLIERS	267,621	99,803	167,818
DUE TO CREDIT CARD OPERATORS	3,118	2,879	238
TOTAL	588,733	399,412	189,321

During the year, trade payables went from Euro 399,412 thousand as at 31 December 2016 to Euro 588,733 thousand as at 31 December 2017, a rise of 47.4% due largely to higher sales volume and the reorganisation process initiated by the company following the merger.

Trade payables are all payables relating to the purchase of goods and services from Group suppliers. Payables are recorded at their nominal value. Since all payables fall due within one year, none are subject to discounting. "Trade payables" includes all amounts due to suppliers, both for the supply of finished products and raw materials, and for the supply of intangible assets.

8.30 TAX PAYABLES

Current tax liabilities relate exclusively to the current income tax liability, net of payments on account.

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
CURRENT INCOME TAX LIABILITY	23,122	24,192	(1,070)
TOTAL	23,122	24,192	(1,070)

In 2017, this debit balance decreased by Euro 1,070 thousand from Euro 24,192 thousand as at 31 December 2016 to Euro 23,122 thousand as at 31 December 2017.

8.31 OTHER SHORT, MEDIUM AND LONG-TERM PAYABLES

The following table shows a breakdown of other payables as at 31 December 2017:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
DUE TO SOCIAL SECURITY INSTITUTIONS	5,893	4,485	1,408
CREDIT NOTES TO BE ISSUED TO CUSTOMERS	74,624	67,085	7,539
DUE TO DIRECTORS	697	679	19
DUE TO EMPLOYEES	21,282	25,794	(4,512)
DUE TO TAX REPRESENTATIVES	19,410	9,828	9,582
OTHER PAYABLES	24,564	27,944	(3,380)
ACCRUED EXPENSES AND DEFERRED INCOME	1,240	5,173	(3,933)
TOTAL	147,711	140,988	6,723

The item "Due to social security institutions" reflects contributions payable to social security institutions, mainly on the amounts recognised to employees at the end of the reporting period.

Credit notes to be issued to customers relate to payables that will definitely arise for returns on sales made in 2017. The increase in this item was due to the increase in sales volume in 2017 compared with the previous period.

The item "Due to tax representatives" reflects indirect tax liabilities. Sales carried out in European countries during 2017 and 2016 exceeded the threshold set in article 41, paragraph 1, section b) of Decree-Law 331/93, which requires payment of VAT in the destination country for goods sold. In order to comply with this requirement, the Company has opened VAT accounts in these countries.

Note that, as at 31 December 2017, the Group recognised other medium/long-term payables in the amount of Euro 10,798 thousand (Euro 8,367 as at 31 December 2016), due to recognition with the straight line method of operating leases activated by THE NET-A-PORTER GROUP companies.

CONSOLIDATED STATEMENT OF CASH FLOWS

8.32 PROFIT FOR THE YEAR, TAXES FOR THE YEAR, INCOME TAXES PAID

Details of consolidated net income for the year, taxes for the year, depreciation and amortisation and other non-monetary income statement items are provided in Notes 8.3, 8.4, 8.58, 8.9, 8.10, 8.11, 8.12, 8.13 and 8.14 respectively.

In relation to the income tax allocated in 2017 of Euro 7,503 thousand (Euro 14,565 thousand in 2016), tax payments amounting to Euro 29,349 thousand were made (Euro 15,229 thousand in 2016) relating to tax outstanding for the previous year and payments on account, calculated in accordance with the respective tax regulations in force in the various countries where the Group operates.

8.33 OTHER NET NON-MONETARY INCOME AND EXPENSES

Other net non-monetary income and expenses include non-monetary items on the income statement apart from income tax, depreciation and amortisation and provisions that are classified as a direct deduction from asset items (allowance for impairment and provisions for obsolescence). This includes provisions for defined benefit plans for employees (TFR), the measurement at fair value of stock option plans, provisions for risks and charges, capital gains and capital losses, unrealised foreign exchange fluctuations and recognised interest income and expenses. In relation to these last items, interest received and interest paid are presented separately.

8.34 CHANGE IN TRADE RECEIVABLES, INVENTORIES AND TRADE PAYABLES

This item reports the use or generation of cash relative to net working capital, i.e. changes in trade receivables, inventories and trade payables. Changes in trade payables refer exclusively to supplies of raw materials, goods and services, excluding the change in payables to suppliers of investments, which are reported in the section of the statement of cash flows relating to cash generated by or used in investing activities.

8.35 CHANGES IN OTHER CURRENT ASSETS AND LIABILITIES

This item reflects the change in all other current assets and liabilities, net of the effects of recognising non-monetary income and expenses, i.e. the change in the balances with a direct effect on the use or generation of cash.

8.36 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND PROCEEDS FROM THE SALE OF PROPERTY, PLANT AND EQUIPMENT

Cash flow from the acquisition of property, plant and equipment reflects both expenditure to replace plants and expenditure on new plants. The amount reported also includes the change in investment payables.

8.37 ACQUISITION OF OTHER INTANGIBLE ASSETS

Cash flow for investments in other intangible assets relates to investments in licences and software and the capitalisation of development costs (for a breakdown of these, see Note 8.13). Capitalisations are classified among cash flow generated by/used in investing activities since they involve a cash outflow associated with the internal costs incurred (mainly personnel expenses). These outflows were broadly in line with costs capitalised during the year.

8.38 ACQUISITION OF STAKES IN ASSOCIATES

No cash was used by the investment in the associate E_Lite.

8.39 ACQUISITION OF AND PROCEEDS FROM DISPOSALS OF OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets decreased by Euro 108 thousand compared with the previous year.

8.40 INCREASE IN SHARE CAPITAL AND SHARE PREMIUM RESERVE

For information on total receipts for increases in share capital and the share premium reserve, please see Note 8.23 "Equity attributable to owners of the Parent Company".

8.41 ARRANGEMENT AND REPAYMENT OF MEDIUM/LONG-TERM FINANCIAL LIABILITIES

Repayments of other medium/long-term financial liabilities relate to loans from banks and other lenders, as described in Note 8.25.

8.42 ARRANGEMENT AND REPAYMENT OF SHORT-TERM FINANCIAL PAYABLES

The change in short-term bank exposure is included in the change in short-term financial payables, since these are forms of short-term borrowing, as described in Note 8.25.

9. DISCLOSURE OF FINANCIAL RISKS

A. Accounting classification and fair value

The table below shows the carrying amount and fair value of each financial asset and liability, as well as the relative fair value hierarchy level.

31 DECEMBER 2017	CARRYING AMOUNT					FAIR VALUE					
THOUSANDS OF EUROS	NOTES	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE RECORDED IN INCOME STATEMENT	FAIR VALUE - HEDGING INSTRUMENTS	FINANCIAL LIABILITIES AT FAIR VALUE RECORDED IN INCOME STATEMENT	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS										-	
OTHER NON-CURRENT FINANCIAL ASSETS		2,730	-	-	-	-	2,730	-	-	-	-
TRADE RECEIVABLES		52,499	-	-	-	-	52,499	-	-	-	-
OTHER CURRENT ASSETS		45,222	-	753	-	-	45,975	-	753	-	753
CASH AND CASH EQUIVALENTS		262,333	-	-	-	-	262,333	-	-	-	-
TOTAL FINANCIAL ASSETS		362,784	-	753	-	-	363,537	-	753	-	753
FINANCIAL LIABILITIES											
BANK OVERDRAFTS		-	-	-	-	-	-	-	-	-	-
GUARANTEED BANK LOANS		-	-	-	-	-	-	-	-	-	-
NON-GUARANTEED BANK LOANS		-	-	-	-	(218,246)	(218,246)	-	(218,246)	-	(218,246)
LIABILITIES FOR FINANCIAL LEASES		-	-	-	-	(10,798)	(10,798)	-	(10,798)	-	(10,798)
TRADE PAYABLES		-	-	-	-	(588,733)	(588,733)	-	-	-	-
OTHER LIABILITIES		-	-	(799)	-	(147,056)	(147,855)	-	(799)	-	(799)
TOTAL FINANCIAL LIABILITIES		-	-	(799)	-	(964,833)	(965,632)	-	(229,843)	-	(229,843)

31 DECEMBER 2016	CARRYING AMOUNT						FAIR VALUE				
THOUSANDS OF EUROS	NOTES	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE RECORDED IN INCOME STATEMENT	FAIR VALUE - HEDGING INSTRUMENTS	FINANCIAL LIABILITIES AT FAIR VALUE RECORDED IN INCOME STATEMENT	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS											
OTHER NON-CURRENT FINANCIAL ASSETS		2,837	-	-	-	-	2,837	-	-	-	-
TRADE RECEIVABLES		32,387	-	-	-	-	32,387	-	-	-	-
OTHER CURRENT ASSETS		47,499	-	672	-	-	48,171	-	672	-	672
CASH AND CASH EQUIVALENTS		155,465	-	-	-	-	155,465	-	-	-	-
TOTAL FINANCIAL ASSETS		238,188	-	672	-	-	238,860	-	672	-	672
FINANCIAL LIABILITIES											
BANK OVERDRAFTS		-	-	-	-	(2,756)	(2,756)	-	-	-	-
GUARANTEED BANK LOANS		-	-	-	-	-	-	-	-	-	-
NON-GUARANTEED BANK LOANS		-	-	-	-	(102,249)	(102,249)	-	(102,249)	-	(102,249)
LIABILITIES FOR FINANCIAL LEASES		-	-	-	-	(11,616)	(11,616)	-	(11,616)	-	(11,616)
TRADE PAYABLES		-	-	-	-	(399,412)	(399,412)	-	-	-	-
OTHER LIABILITIES		-	-	(1,809)	-	(139,179)	(140,988)	-	(1,809)	-	(1,809)
TOTAL FINANCIAL LIABILITIES		-	-	(1,809)	-	(655,212)	(657,021)	-	(115,674)	-	(115,674)

B. Hierarchical levels of fair value measurement

In order to determine the fair value of financial instruments, the Group relies on measurement techniques based on observable market parameters (Mark to model), which are therefore included in level 2 of the fair value hierarchy identified in IFRS 13.

IFRS 13 identifies a hierarchy of measurement techniques based on three levels:

- Level 1: inputs are quoted prices in markets for identical assets or liabilities;
- Level 2: inputs are inputs other than quoted market prices included within Level 1 that are observable for the financial asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are unobservable; used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability.

When it chooses its measurement techniques, the Group adheres to the following hierarchy:

- a) use of prices found in markets, even if they are inactive, of identical instruments (Recent Transactions) or similar instruments (Comparable Approach);
- b) use of measurement techniques based primarily on observable market parameters;
- c) use of measurement techniques based primarily on unobservable market parameters.

The Company has adopted procedures to assess the fair value of assets and liabilities using measurement techniques based on observable market parameters.

The Company determined the fair value of the derivatives in place as at 31 December 2017 using generally accepted measurement techniques for instruments of the type used by the Group.

The models applied for the measurement of instruments require calculations through the Bloomberg info provider. The input data used in the models are primarily observable market parameters (Euro, Yen and Dollar interest rate curve and official exchange rates at the measurement date) acquired from the Bloomberg info provider.

In 2017, there were no transfers from Level 1 to Level 2 or vice versa.

C. Financial risk management

The Group is exposed to the following risks deriving from the use of financial instruments:

- Credit risk, in relation to normal commercial dealings with customers as well as financing activities;
- Liquidity risk, in relation to the availability of financial resources and access to the credit and financial instruments market;
- Market risk, in relation to fluctuations in interest rates and exchange rates between the euro and the other currencies used by the Group.

The Group's risk management policies aim to identify and analyse the risks to which the Group is exposed, establish appropriate limits and controls and monitor risks and compliance with those limits. These policies and the relative systems are revised on a regular basis to reflect any changes in market conditions and Group activities.

CREDIT RISK

Credit risk is the risk that a customer or financial instrument counterparty may cause a financial loss by not meeting a contractual obligation, and derives primarily from the Group's trade receivables and debt securities.

The carrying amount of financial assets represents the Group's maximum exposure to credit risk. The existing receivables at year-end are chiefly due from customers, Group companies, other commercial counterparties and tax authorities. There are no significant overdue balances.

CREDIT RISK WITH COMMERCIAL COUNTERPARTIES

Due to the type of business carried out by the Group, credit risk exposure is limited as collections take place at the time of sale (payments by credit card) or upon delivery in the case of payment on delivery of the merchandise (COD). Credit risk related to any problem accounts subject to legal action or to overdue accounts is monitored centrally and reported each month.

CREDIT RISK WITH FINANCIAL COUNTERPARTIES

In relation to the credit risk deriving from other financial assets other than trade receivables, theoretical credit risk for the Group arises from the breach of a counterparty with a maximum exposure that is equal to the carrying amount of the financial asset recognised in the financial statements, as well as the nominal value of guarantees given on third-party debt or commitments specified in paragraph 11 of the notes. The Group has policies in place that limit the amount of credit exposure to the various banks.

The YOOX NET-A-PORTER GROUP has obtained lines of credit from leading Italian and international banks of high standing. Insofar as the Group is aware, there are no potential losses deriving from the impossibility of financial counterparties to meet their contractual obligations of a significant or appreciable amount.

LIQUIDITY RISK

Liquidity risk derives from possible difficulties in obtaining financial resources at an acceptable cost to conduct the Group's normal operating activities.

The factors that determine the liquidity situation of the Group are firstly the resources generated from or used in operating and investing activities, and secondly the maturity and renewal conditions of debt or the liquidity of financial commitments and market conditions.

The Group has adopted a series of policies and processes to optimise the management of financial resources in order to reduce liquidity risk:

- centralised management of payment and payment collection flows, where this is economically expedient and complies with the various civil law, monetary and tax regulations of the countries in which the Parent Company is present;
- maintenance of a suitable level of cash on hand;
- diversified use of tools to procure financial resources and a continuous and active presence on capital markets;
- obtaining adequate credit lines to create a suitable debt structure to best use, within the agreed short- or long-term period, the financial resources granted by the lending system;
- monitoring of future liquidity conditions with reference to the company planning process.

Management considers the funds currently available, in addition to the funds that will be generated from operating and financing activities, sufficient to allow the Parent Company to meet its requirements arising from investment activities, the management of working capital and the repayment of debts upon maturity.

In 2017, the Group met all economic and financial parameters set forth in the covenants of its outstanding loan agreements.

YOOX NET-A-PORTER GROUP

The table below provides an analysis of the contractual maturities, which also include interest, for financial liabilities.

NON-DERIVATIVE FINANCIAL LIABILITIES	CONTRACTUAL CASH FLOWS								
THOUSANDS OF EUROS	CARRYING AMOUNT	TOTAL	WITHIN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-3 YEARS	3-4 YEARS	4-5 YEARS	MORE THAN 5 YEARS
BANK OVERDRAFTS	-	-	-	-	-	-	-	-	-
GUARANTEED BANK LOANS	-	-	-	-	-	-	-	-	-
NON-GUARANTEED BANK LOANS	218,246	218,246	33,110	33,131	66,325	57,160	28,520	-	-
LIABILITIES FOR FINANCIAL LEASES	10,798	10,798	2,619	2,490	3,990	920	426	354	-
TRADE PAYABLES	588,733	588,733	606,031	-	-	-	-	-	-

DERIVATIVE FINANCIAL LIABILITIES	CONTRACTUAL CASH FLOWS								
THOUSANDS OF EUROS	CARRYING AMOUNT	TOTAL	WITHIN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-3 YEARS	3-4 YEARS	4-5 YEARS	MORE THAN 5 YEARS
HEDGING INTEREST RATE SWAP	(799)	(799)	(799)	-	-	-	-	-	-
HEDGING FORWARD CONTRACTS ON FOREIGN EXCHANGE	752	752	752	-	-	-	-	-	-

Cash inflows/(outflows) in the table above reflect the non-discounted contractual cash flows relating to derivative financial liabilities held for risk management purposes which, in general, are not settled before the agreement maturity date. The financial statement disclosures present net cash flows if they relate to derivative financial instruments which establish net settlement in cash of the spread and gross inflows and outflows if they relate to derivative financial instruments which establish simultaneous gross payments in cash.

The interest to be paid on variable rate loans and on bond issues specified in the table reflects the forward market interest rate at year-end and is influenced by changes in market rates. Future cash flows relating to the potential payment and derivative financial instruments could differ from the amount reported in the tables if the interest and exchange rates or the conditions of the underlying asset change. With the exception of these financial liabilities, the cash flows included in the maturities analysis are not expected to arise significantly in advance of the date expected or with considerably different amounts.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument could fluctuate as a result of changes in market prices, due to changes in exchange rates, interest rates or equity instrument prices. The objective of market risk management is to manage and control the Group's exposure to that risk within acceptable levels, while also optimising the return on investments.

For the YOOX NET-A-PORTER-GROUP, market risk arises in the form of currency and interest rate risk.

YOOX NET-A-PORTER GROUP

CURRENCY RISK

The Group is exposed to currency risk when sales, purchases and loans are in a currency other than the functional currencies of each Group entity which are, primarily, the Euro, the UK pound and the US dollar. The Group is principally exposed towards the US dollar, the UK pound, the Japanese yen and, only to a marginal extent, the Chinese renminbi.

At all times, the Group covers the estimated exposure to changes in exchange rates with respect to expected sales over the next 12 months. In 2017, this exposure is hedged using US dollar and Japanese yen forward sale agreements and collar options on US dollars and Japanese yen entered into with leading domestic and international credit institutions with which the Group works on a daily basis.

All currency forward sale agreements and collar options have a term of less than one year after year-end close.

The Group companies are located in countries not belonging to the European Monetary Union, specifically the UK, the United States, Japan, China, Dubai and Hong Kong. Since the Group's functional currency is the Euro, the income statements of these companies are translated into Euro at the average exchange rate for the period. Holding revenue and profits constant in their local currencies, changes in the exchange rates concerned may have an effect on the Euro amount of their revenue, costs and financial results. The Euro value of assets and liabilities of consolidated companies whose accounting currency is not the Euro may vary depending on exchange rate movements. In accordance with IFRS, the effects of these changes are recognised directly in equity, under the item "Translation reserve".

The table below summarises the quantitative data of the Group's exposure to currency risk:

THOUSANDS OF EUROS	31 DECEMBER 2017							
-	USD	JPY	GBP	CNY	AUD	HKD	CAD	RUB
TRADE RECEIVABLES	6,966	-	1,450	-	1,194	-	68	8
OTHER CURRENT FINANCIAL ASSETS	6,199	-	6,093	-	3,209	-	-	537
TRADE PAYABLES	(34,597)	(21)	(43,109)	(396)	(2,094)	(19,255)	(201)	(1)
CASH AND CASH EQUIVALENTS	36,077	4,094	36,169	102	16,688	6,746	-	-
NET EXPOSURE IN THE STATEMENT OF FINANCIAL POSITION	14,645	4,073	603	(295)	18,997	(12,510)	(133)	544
HEDGING CONTRACTS	683	69	-	-	-	-	-	-
NET EXPOSURE	15,329	4,142	603	(295)	18,997	(12,510)	(133)	544

THOUSANDS OF EUROS	31 DECEMBER 2016							
-	USD	JPY	GBP	CNY	AUD	HKD	CAD	RUB
TRADE RECEIVABLES	2,170	-	1,020	-	97	-	31	-
OTHER CURRENT FINANCIAL ASSETS	1,467	-	5,667	-	26	-	-	-
TRADE PAYABLES	(24,973)	(1,298)	(32,776)	(64)	(162)	(3,489)	(396)	-
CASH AND CASH EQUIVALENTS	10,043	7,316	15,885	2,008	1,871	110	-	-
NET EXPOSURE IN THE STATEMENT OF FINANCIAL POSITION	(11,293)	6,018	(10,204)	1,943	1,832	(3,378)	(365)	-
HEDGING CONTRACTS	(873)	390	-	-	-	-	-	-
NET EXPOSURE	(12,166)	6,408	(10,204)	1,943	1,832	(3,378)	(365)	-

Currency risk is measured using a sensitivity analysis and the potential effects of exchange rate fluctuations on the consolidated financial statements as at 31 December 2017 have been analysed.

An appreciation (depreciation) in the Euro, and in the GBP, USD and JPY currencies with respect to all other currencies, would have had effects on the measurement of financial instruments in foreign currency and involved an increase (decrease) in consolidated shareholders' equity and consolidated profit for the year in the amounts shown in the following table. This

YOOX NET-A-PORTER GROUP

analysis presupposes that all other variables, particularly interest rates, remain the same, and does not consider the effects of expected sales and acquisitions.

THOUSANDS OF EUROS	PROFIT/(LOSS) FOR THE FISCAL YEAR		SHAREHOLDERS' EQUITY	
	APPRECIATION	DEPRECIATION	APPRECIATION	DEPRECIATION
31 DECEMBER 2017				
USD (5% CHANGE)	(697)	771	(33)	36
JPY (5% CHANGE)	(194)	214	(3)	4
GBP (5% CHANGE)	(29)	32	-	-
CNY (5% CHANGE)	14	(16)	-	-
AUD (5% CHANGE)	(905)	1.000	-	-
HKD (5% CHANGE)	596	(658)	-	-
CAD (5% CHANGE)	6	(7)	-	-
RUB (5% CHANGE)	(26)	29	-	-
31 DECEMBER 2016				
USD (5% CHANGE)	538	(594)	42	(46)
JPY (5% CHANGE)	(287)	317	(19)	21
GBP (5% CHANGE)	486	(537)	-	-
CNY (5% CHANGE)	(93)	102	-	-
AUD (5% CHANGE)	(87)	96	-	-
HKD (5% CHANGE)	161	(178)	-	-
CAD (5% CHANGE)	17	(19)	-	-
RUB (5% CHANGE)	-	-	-	-

INTEREST RATE RISK

Interest rate risk arises when a change in interest rates adversely affects performance for the year.

Funding and credit lines available to the YOOX NET-A-PORTER GROUP are indexed to the Euribor, and therefore the Group is exposed to an increase in interest rates. In 2017, the Group decided to manage interest rate risk through recourse to Interest Rate Swap agreements hedging medium/long-term loans.

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The following table presents a quantitative overview of the Group's exposure to interest rate risk:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016
FINANCIAL RECEIVABLES	50,448	66,995
FINANCIAL LIABILITIES	(229,044)	(116,621)
CASH IN CURRENT ACCOUNTS	262,333	155,465
NET EXPOSURE IN THE STATEMENT OF FINANCIAL POSITION	87,737	105,839
HEDGING CONTRACTS	(46)	(1,138)
NET EXPOSURE	83,783	104,701

Interest rate risk is measured through the sensitivity analysis and the potential effects of fluctuations in interest rates on the consolidated financial statements as at 31 December 2017 were analysed. If interest rates changed by 100bps at the year-end, shareholders' equity and the profit / (loss) for the year would increase or decrease by the amounts given in the table below. The analysis was conducted assuming that other variables, especially exchange rates, remained constant.

THOUSANDS OF EUROS	PROFIT/(LOSS) FOR THE FISCAL YEAR		SHAREHOLDERS' EQUITY	
	100 BPS INCREASE	100 BPS DECREASE	100 BPS INCREASE	100 BPS DECREASE
31 DECEMBER 2017				
VARIABLE RATE FINANCIAL INSTRUMENTS	-	-	992	(1,702)
INTEREST RATE SWAP	-	-	2,980	(2,413)
CASH FLOW SENSITIVITY (NET)	-	-	3,972	(4,115)
31 DECEMBER 2016				
VARIABLE RATE FINANCIAL INSTRUMENTS	-	-	258	(734)
INTEREST RATE SWAP	-	-	1,819	(1,457)
CASH FLOW SENSITIVITY (NET)	-	-	2,077	(2,191)

The following table shows transactions outstanding as at 31 December 2017 and 31 December 2016 and the related fair values:

FINANCIAL INSTRUMENT	NATURE OF HEDGED RISK	NOTIONAL VALUE		FAIR VALUE DERIVATIVES		CURRENT FINANCIAL ASSETS		OTHER FINANCIAL PAYABLES	
		31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
HEDGING TRANSACTIONS									
FORWARD SALES	HEDGING	20,284	50,518	753	(483)	753	(483)	-	-
IRS	INTEREST RATE	200,000	76,250	(799)	(654)	-	-	(799)	(654)
TOTAL		220,284	126,768	(46)	(1,137)	753	(483)	(799)	(654)

HEDGE ACCOUNTING – CASH FLOW HEDGING

The Group performs prospective and retrospective tests of the effectiveness of the derivative financial instruments recorded, using the rules of hedge accounting.

Effectiveness is ensured if the ratio of the change in the fair value of the hedging instrument to the change in the fair value of the hedged instrument falls within the range of 80%-125%.

In 2017, the Group put cash flow hedges into place in relation to a highly likely planned transaction.

The financial instruments in place as at 31 December 2017 are forward contracts stated at fair value in the equity reserve, as set out in IFRS.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

Measured at amortised cost: held-to-maturity assets, trade receivables and payables, time deposits, loans, and other liabilities and assets measured at amortised cost (such as other receivables and payables).

Pursuant to IFRS 7, the fair value of these items is re-measured by calculating the present value of the contractually-expected flows of principal and interest, with reference to the yield curve for government securities at the measurement date.

Investments in repurchase agreements, mentioned previously, come under financial assets valued at amortised cost.

The carrying amount of trade payables and receivables represents a reasonable approximation of their fair value.

10. INFORMATION PURSUANT TO IAS 24 ON MANAGEMENT REMUNERATION AND ON RELATED PARTIES

Related-party transactions, as defined under IAS 24, as at 31 December 2017 and as at 31 December 2016 were restricted to commercial, administrative and financial services relationships with subsidiaries and other related parties. The transactions form part of normal business operations, within the usual scope of activity of each of the interested parties, and are carried out under normal market conditions.

Below is a non-exhaustive list of definitions of the related parties of an entity (the "Entity") as indicated in IAS 24:

- a) entities that directly or indirectly:
 - (i) control the Entity, or
 - (ii) are controlled by the Entity, or
 - (iii) are subject to joint control with the Entity, or
 - (iv) have significant influence over the Entity, or
 - (v) have joint control over the Entity.
- b) entities related to the Entity according to the definition set out in IAS 28 – Investments in Associates;
- c) joint ventures in which the Entity has a shareholding;
- d) managers with strategic responsibility for the Entity or its parent company, including the directors and statutory auditors of the Entity;
- e) the close family members of any physical persons included in points a) to d) above;
- f) entities controlled or jointly controlled by one of the persons described in points d) or e) above, or that are under the significant influence of these persons; i.e. entities in which the persons described in d) and e) hold, either directly or indirectly, a significant share of the voting rights;

g) pension funds for employees of the Entity or any other entity related to it.

10.1 INTRA-GROUP TRANSACTIONS

In order to provide more information on the extent of relationships within the Group, the following tables present transactions taking place between Group companies and cancelled out in the consolidated financial statements as at 31 December 2017 and 31 December 2016.

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

1. supply of products to the subsidiaries intended for sale in US, Japanese, Asia Pacific and Chinese online stores;
2. maintenance, support and update services for the subsidiaries' websites;
3. administrative, financial and legal services provided for the subsidiaries;
4. customer service support services provided for the subsidiaries;
5. consulting and support services in the area of fashion, marketing, advertising and professional training provided for the subsidiaries.

The relationships between the Group companies and related parties are not considered to be atypical or unusual, and form part of the Group's ordinary business operations. The transactions were carried out under normal market (i.e. arm's-length) conditions.

The following tables indicate receivables and payables among Group companies at 31 December 2017 and 31 December 2016. Receivables and payables related to subsidiaries are in USD, JPY, CNY, HKD, AED and GBP and translated into euros at the year-end exchange rate. Revenue and costs are in USD, JPY, CNY, HKD, AED and GBP and translated into euros at the average exchange rate for the year in question.

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31 December 2017

	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUES	COSTS
YNAP GROUP S.P.A.	101,239	4,734	53,057	15,167	208,680	49,033
YNAP CORPORATION	120,740	-	167,107	5,871	61,769	191,828
YOOX JAPAN	219	-	21,047	-	95	44,784
MISHANG TRADING (SHANGHAI)	290	-	19,370	1,721	37	8,964
YOOX ASIA LTD	76	9	16,822	2,697	32	39,528
LARGENTA LIMITED (UK)	-	-	-	-	-	-
THE NET-A-PORTER GROUP LIMITED (UK)	201,581	20,877	115,903	161	153,252	79,317
NET-A-PORTER INTERNATIONAL LIMITED (UK)	-	-	-	-	-	18
THE NET-A-PORTER GAP (HK)	32,431	-	59,427	3	20,327	29,417
THE NET-A-PORTER GROUP CHINA (PRC)	893	-	852	-	2,814	-
YNAP MIDDLE EAST HOLDING	317	36	250	-	235	207
E-LUX MIDDLE EAST HOLDING	-	-	-	36	-	-
YNAP MIDDLE EAST TRADING	-	-	3,952	-	2	4,147
TOTAL SUBSIDIARIES	457,787	25,657	457,787	25,657	447,242	447,242

31 December 2016

	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUES	COSTS
YNAP GROUP S.P.A.	59,234	3,109	4,062	2,878	179,000	4,873
YNAP CORPORATION	4,351	-	43,688	8,107	58,939	170,600
YOOX JAPAN	99	819	8,006	-	130	40,134
MISHANG TRADING (SHANGHAI)	17	-	17,200	1,752	17	8,546
YOOX ASIA LTD	1	2,059	7,049	-	19	25,889
LARGENTA LIMITED (UK)	-	-	-	-	-	-
THE NET-A-PORTER GROUP LIMITED (UK)	49,646	7,752	8,070	937	96,184	73,390
NET-A-PORTER INTERNATIONAL LIMITED (UK)	137	-	-	-	-	145
THE NET-A-PORTER GAP (HK)	3,316	-	25,638	61	10,127	23,155
THE NET-A-PORTER GROUP CHINA (PRC)	792	-	3,880	4	2,316	-
TOTAL SUBSIDIARIES	117,593	13,739	117,593	13,739	346,732	346,732

10.2 REMUNERATION OF SENIOR MANAGERS AND OTHER KEY PERSONS WITHIN THE GROUP

The senior management and key persons with strategic responsibility for management, planning and administration in the Group are, in addition to executive and non-executive directors, the Chief Financial Officer, General Manager, Chief Operating Officer and Co-General Manager.

The gross annual remuneration of the above persons, inclusive of all forms of remuneration (including gross pay, bonuses and fringe benefits), as well as bonuses accrued but not paid out that are subject to the achievement of long-term objectives, are reported in the following table together with the fees of the members of the Board of Statutory Auditors:

31 December 2017

DESCRIPTION	SHORT-TERM BENEFITS	LONG-TERM BENEFITS	STOCK OPTION PLANS AND COMPANY INCENTIVE PLANS
DIRECTORS	2,259	1,032	6,637
STATUTORY AUDITORS	71	-	-
MANAGEMENT PERSONNEL WITH STRATEGIC RESPONSIBILITIES	1,517	328	1,454
TOTAL	3,847	1,360	8,091

31 December 2016

DESCRIPTION	SHORT-TERM BENEFITS	LONG-TERM BENEFITS	STOCK OPTION PLANS AND COMPANY INCENTIVE PLANS
DIRECTORS	2,163	1,000	6,655
STATUTORY AUDITORS	71	-	-
MANAGEMENT PERSONNEL WITH STRATEGIC RESPONSIBILITIES	1,462	65	1,056
TOTAL	3,696	1,065	7,712

Finally, no close family members of any of the natural persons indicated above are related parties of the Issuer and/or the companies of the Group, as defined in IAS 24.

10.3 TRANSACTIONS WITH OTHER RELATED PARTIES

The following tables list the main financial and commercial relationships between the companies of the Group and related parties other than Group companies, as at 31 December 2017 and as at 31 December 2016, excluding intra-Group relationships, which are described above. Commercial transactions with these entities are carried out under normal market conditions, and all transactions are carried out in the interests of the Group.

YOOX NET-A-PORTER GROUP

31 December 2017

DESCRIPTION	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUES	COSTS
GATTI PAVESI BIANCHI STUDIO LEGALE ASSOCIATO	-	-	531	-	-	2,071
JC ACCOUNTING KK (FORMERLY KK TPI)	-	-	17	-	-	99
NAGAMINE MISHIMA ACCOUNTING OFFICE	-	-	6	-	-	33
TARTER KRINSKY E DROGIN LLP	-	-	26	-	-	198
RICHEMONT GROUP	777	-	11,411	-	1,063	30,087
E_ LITE S.P.A.	36	-	9,205	-	23,084	-
TOTAL RELATED PARTIES	813	-	21,195	-	24,147	32,489

31 December 2016

DESCRIPTION	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUES	COSTS
GATTI PAVESI BIANCHI STUDIO LEGALE ASSOCIATO	-	-	574	-	-	1,574
JC ACCOUNTING KK (FORMERLY KK TPI)	-	-	10	-	-	100
NAGAMINE MISHIMA ACCOUNTING OFFICE	-	-	3	-	-	30
TARTER KRINSKY E DROGIN LLP	-	-	161	-	-	365
RICHEMONT GROUP	42	-	5,486	-	691	20,315
E_ LITE S.P.A.	14	-	12,051	-	19,930	-
TOTAL RELATED PARTIES	56	-	18,285	-	20,621	22,384

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

- Studio Legale Associato Gatti Pavesi Bianchi: a partner in the law firm is a director of the Parent;
- Tarter Krinsky and Drogin LLP: a partner in the law firm is a member of the Board of Directors of one of the Group's companies (YNAP Corporation);
- KK TPI and Nagamine Accounting Office: the owner of both consultancy firms is a member of the Board of Directors of a Group company (YOOX Japan);
- E_lite: it is a 49% owned subsidiary;
- Richemont, and its subsidiaries, since it is a Group shareholder.

None of the transactions that took place with related parties in 2017 and 2016 was significant (except as mentioned above), atypical and/or unusual.

11. OTHER INFORMATION

COMMITMENTS AND GUARANTEES

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016
THIRD-PARTY ASSETS HELD BY THE GROUP	165,912	167,029
GUARANTEES GIVEN TO OTHERS	6,400	6,400
COMMITMENTS UNDER HEDGING CONTRACTS (NOMINAL VALUE)	220,284	126,768

The companies' warehouses hold goods worth Euro 165,912 thousand received on a sale-or-return basis from YNAP's partners. The decrease compared with the previous fiscal year was due exclusively to the increase in sales in the last quarter of the mono-brand online stores that store goods at the Group's warehouses.

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

- the contract agreed by the Parent Company with SINV, with effect from 12 May 2015, for a period of nine months, which may be renewed at the end of the contract, for the rental of office premises in Milan. The surety amounts to Euro 356,526.50 and will expire on 01 January 2019;
- the contract agreed by the Company with Oslavia, with effect from 04 November 2016 for a period of six years, for the rental of office premises in Via Lombardini, Milan. The surety amounts to Euro 20,934.15 and expires on 31 July 2020;
- the contract concluded by the Company following the repayment of the Global Collect guarantee deposit of Euro 1,200,000, after UniCredit issued a bank guarantee for the same amount, expiring on 30 June 2018;
- the contract agreed with Logistica Bentivoglio S.r.l. with effect from 27 June 2011 and expiring on 31 December 2017 to guarantee compliance with obligations under the rental agreement for the warehouse at the Bentivoglio Blocco 9.5 Interporto totalling Euro 564,052;
- the contract agreed by the Company with Despina S.p.A. to guarantee compliance with obligations under a rental contract with effect from 10 February 2017, relating to office premises at Via Nannetti 1 in Zola Predosa. The amount of the surety is Euro 400,000 expiring on 1 February 2018;
- the contract agreed with Geodis Logistic S.p.A. with effect from 13 February 2013 and expiring on 30 January 2019 to guarantee compliance with obligations under the rental agreement for the warehouse and offices at the Interporto totalling Euro 103,621;
- the contract agreed with Generali Italia Immobiliare, with effect from 25 July 2013 and expiring on 13 September 2019, for the rental of office space in Casalecchio di Reno in via del Lavoro. The amount of the surety is Euro 31,140.
- the contract agreed with Vailog S.r.l. to guarantee compliance with obligations under the rental agreement for the warehouse and offices at the Interporto with effect from 4 November 2016 and expiring on 30 November 2025. The amount of the surety is Euro 224,000.
- Guarantee line with HSBC on YNAP Corporation group company warehouses totalling Euro 2,112 thousand, effective as of September 2016 and expiring in July 2023.
- Guarantee line with HSBC on the group company warehouses of THE NET-A-PORTER GROUP Asia Pacific Ltd group totalling Euro 2,296 thousand, starting September 2015 and expiring in May 2021.

The hedging contracts relate to:

- forward sales set up by the Parent to cover the currency risk connected to intra-Group sales in US dollars and Japanese yen. The nominal amount of these commitments, translated to Euro at the exchange rate in effect at the reporting date, is Euro 20,284 thousand;
- Interest Rate Swaps signed by the Parent Company to hedge the interest rate risk related to the medium/long-term loan agreed for financing the new techno-logistics platform. The nominal amount of commitments at the reporting date is Euro 200,000 thousand.

12. SUBSEQUENT EVENTS

In light of the recent migration of THE OUTNET and the Group's commitment to further reduce the risk profile during the In Season migration to the Omni-stock model, YNAP has decided to separate the NET A PORTER migration from the MR PORTER migration. The underlying rationale is to reduce complexity of the entire process by involving all available resource in the migration of one store at a time. The potential impact on sales will also be minimised, by planning the completion of the first transition before the Christmas holidays and the start of the second after the seasonal peak.

Consequently, the MR PORTER migration is planned in 2018, according to the original schedule, while the NET-A-PORTER migration will be postponed by a few months to 2019.

Multi-brand In-Season

The start of 2018 saw significant developments in the In-Season commerce content to commerce offering. In particular, as a direct response to the increased demand from consumers for more editorial content, NET A PORTER launched PORTER Digital: original PORTER content, available every day and integrated into the native app, which allows customers to translate inspiration directly into purchases. PORTER has therefore become the only editorial expression of NET-A-PORTER, offering daily, weekly and bi-monthly content on all platforms.

From the onset, PORTER Digital elicited significant interest from customers: in the first three weeks following the launch, unique visitors to the NET-A-PORTER editorial section doubled as did the revenue generated directly from the content that is also available for sale.

In January, Balenciaga created two exclusive capsule collections for NET-A-PORTER and MR PORTER, which constituted the first collaboration under the artistic direction of Demna Gvasalia from the time he joined the Kering Group's Brand. The exclusive capsule collection was very well received by customers, with record pre-order sales levels compared to the previous capsule collections.

A new Personal Shopping team based in Dubai was created in January 2018, to increase the engagement with the local high spending customers prior to the In-Season localisation.

Online Flagship Stores

As a part of NEXT ERA framework, the Online Flagship Stores business extended to Europe the possibility of direct invoicing, a functionality which will allow Valentino to implement the "unique inventory overview".

YOOX NET-A-PORTER GROUP S.p.A. and Balmain Paris concluded a 5-year global agreement for the design and operation of the new Balmain Online Flagship Store, expected to launch in 2018.

The global partnership for the Online Flagship Store stoneisland.com "Powered by YOOX NET-A-PORTER GROUP" was extended for a further 5 years to 2023, following an agreement concluded between SPORTSWEAR COMPANY S.p.A. and YOOX NET-A-PORTER GROUP S.p.A.

ASSIGNMENT OF SHARES FOLLOWING THE EXERCISE OF STOCK OPTIONS

As further clarified in the significant events occurred following the end of the Period, on 10 January and 9 February 2018 overall 803,140 YNAP ordinary shares were granted following the exercise of 15,445 options whose details are reported in the chart below.

STOCK OPTION PLANS	ASSIGNMENT DATE	STRIKE PRICE (IN EURO)		TOTAL OPTIONS	TOTAL SHARES AFTER DIVISION
		106.5	59.17		
2004 – 2006	10/01/2018	500		500	26,000
2006 – 2008	10/01/2018		200	200	10,400
2007 – 2012	10/01/2018		962	962	50,024
SUB TOTAL		500	1,162	1,662	86,424
2006 – 2008	09/02/2018		3,636	3,636	189,072
2007 – 2012	09/02/2018	336	9,811	10,147	527,644
SUB TOTAL		336	13,447	13,783	716,716
TOTAL		836	14,609	15,445	803,140

As a result of this, at the date of this document, the new share capital issued by YNAP S.p.A. is equal to Euro 1,347,794.33 represented by 134,779,433 shares with no par value, including 91,966,288 ordinary shares and 42,813,145 B Shares without voting rights.

VOLUNTARY TENDER OFFER ON YNAP SHARES

On 22 January 2018, Compagnie Financière Richemont SA ("Richemont") announced its intention to launch a voluntary takeover bid to acquire all the ordinary shares of YOOX NET-A-PORTER GROUP S.p.A. ("YNAP") - issued or to be issued - other than those held by Richemont and its affiliates, pursuant to article 102 of Legislative Decree 58/1998. Pursuant to the terms of the Offer, the YNAP shareholders will receive Euro 38.00 per ordinary share.

The offering document was submitted to the Commissione Nazionale per le Società e la Borsa ("Consob") on 12 February 2018 and on 20 February 2018, Consob announced the suspension of the review period until 7 March 2018. The reason for the suspension is to allow Richemont to add to the Offering Documentation the main financial data regarding the draft separate and consolidated financial statements of YNAP as at 31 December 2017.

At the date of this document, the Board of Directors of YNAP has not yet met to express its own assessment of the offer. Any changes to the Offer will be announced in a press release that the Company will issue pursuant to article 103, par. 3 of the TUF and art. 39 of Consob Regulation 11971/1999.

For further information regarding the offer, see the press releases and documents available online on the company's website www.ynap.com (in the section on Investor Relations / Public Tender Offer on YNAP Shares) and on the Richemont website www.richemont.com (in the section Investors / YOOX NET-A-PORTER GROUP Tender Offer).

BUSINESS OUTLOOK

In light of the Group's leadership position in luxury fashion e-commerce and of the positive outlook for the online retail market, YOOX NET-A-PORTER GROUP expects to achieve organic net revenue growth in line with its Strategic Plan. All of the Group's business lines and key markets are expected to positively contribute to this growth. The Group also expects to deliver an improvement in the adjusted EBITDA margin at constant exchange rates.

The Group expects to invest between Euro 170 and 180 million and to improve its cash flow absorption compared to 2017. Investments will be mainly dedicated to convergence to the new omni-stock set-up and the ongoing development of the new shared technology platform. A strong focus will be placed on mobile innovation and on the roll-out of localisation and omni-

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channel features. The Group also plans to expand its operations with the opening of the In-Season hub in Milan and additional spaces at the Interporto logistics pole in Bologna.

YOOX NET-A-PORTER GROUP

ANNEX 1

Consolidated income statement as at 31/12/2017 prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

	31 DECEMBER 2017			31 DECEMBER 2016		
CONSOLIDATED INCOME STATEMENT	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
AMOUNTS IN THOUSANDS OF EURO AND PERCENTAGE WEIGHTING ON INDIVIDUAL ITEMS:						
NET REVENUES	2,091,040	24,147	1.2%	1,870,660	20,621	1.1%
COST OF GOODS SOLD	(1,285,010)	(30,087)	2.3%	(1,138,238)	(20,315)	1.8%
FULFILMENT COSTS	(215,786)			(194,638)		
SALES AND MARKETING COSTS	(256,716)	(297)	0.1%	(230,779)	(358)	0.2%
GENERAL EXPENSES	(283,927)	(15,402)	5.4%	(248,683)	(14,513)	5.8%
OTHER INCOME AND EXPENSES	(3,579)			(6,139)		
NON-RECURRING EXPENSES	-			-		
OPERATING PROFIT	46,021			52,183		
INCOME FROM EQUITY INVESTMENTS	262			371		
FINANCIAL INCOME	14,852			12,451		
FINANCIAL EXPENSES	(36,371)			(16,511)		
PROFIT BEFORE TAX	24,764			48,495		
TAXES	(7,503)			(14,565)		
CONSOLIDATED NET INCOME FOR THE YEAR	17,261			33,930		
OF WHICH:						
ATTRIBUTABLE TO OWNERS OF THE PARENT	18,571			33,930		
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(1,310)			-		

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ANNEX 2

Consolidated statement of financial position as at 31/12/2017, prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31 DECEMBER 2017			31 DECEMBER 2016		
	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
AMOUNTS IN THOUSANDS OF EURO AND PERCENTAGE WEIGHTING ON INDIVIDUAL ITEMS						
NON-CURRENT ASSETS						
PROPERTY, PLANT AND EQUIPMENT	153,875			130,586		
INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	482,658			461,460		
GOODWILL	1,188,659			1,231,769		
EQUITY INTERESTS IN ASSOCIATES	963			701		
DEFERRED TAX ASSETS	62,958			53,043		
OTHER NON-CURRENT FINANCIAL ASSETS	2,730			2,837		
TOTAL NON-CURRENT ASSETS	1,891,843			1,880,397		
CURRENT ASSETS						
INVENTORIES	704,228			578,200		
TRADE RECEIVABLES	52,499	813	1.5%	32,387	56	0.2%
OTHER CURRENT ASSETS	45,975			48,171		
CASH AND CASH EQUIVALENTS	262,333			155,465		
CURRENT FINANCIAL ASSETS	50,448			66,995		
TOTAL CURRENT ASSETS	1,115,482			881,218		
TOTAL ASSETS	3,007,325			2,761,615		
SHAREHOLDERS' EQUITY						
SHARE CAPITAL	1,340			1,337		
RESERVES	1,774,168			1,833,826		
RETAINED EARNINGS AND LOSSES RESERVE	119,985			66,900		
CONSOLIDATED NET INCOME FOR THE YEAR	18,571			33,930		
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	1,914,064			1,935,994		
EQUITY ATTRIBUTABLE TO THIRD PARTIES	8,430					
TOTAL CONSOLIDATED EQUITY	1,922,494			1,935,994		

YOOX NET-A-PORTER GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31 DECEMBER 2017			31 DECEMBER 2016		
	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
NON-CURRENT LIABILITIES						
MEDIUM/LONG-TERM FINANCIAL LIABILITIES	157,666			98,982		
EMPLOYEE BENEFITS	160			153		
PROVISIONS FOR RISKS AND NON- CURRENT CHARGES	-			-		
DEFERRED TAX LIABILITIES	66,278			77,140		
OTHER MEDIUM/LONG-TERM PAYABLES	7,534			8,367		
TOTAL NON-CURRENT LIABILITIES	231,638			184,643		
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	71,378			17,639		
PROVISIONS FOR RISKS AND CHARGES	22,106			58,748		
TRADE PAYABLES	588,733	21,195	3.6%	399,412	18,304	4.6%
TAX LIABILITIES	23,122			24,192		
OTHER PAYABLES	147,855			140,988		
TOTAL CURRENT LIABILITIES	853,193			640,978		
TOTAL CONSOLIDATED EQUITY AND LIABILITIES	3,007,325			2,761,615		-

ANNEX 3

Consolidated statement of cash flows as at 31/12/2017, prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

CONSOLIDATED STATEMENT OF CASH FLOWS	31 DECEMBER 2017			31 DECEMBER 2016		
	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
AMOUNTS IN THOUSANDS OF EURO AND PERCENTAGE WEIGHTING ON INDIVIDUAL ITEMS						
CONSOLIDATED NET INCOME FOR THE YEAR	17,261			33,930		
ADJUSTMENTS FOR:						
TAXES FOR THE FISCAL YEAR	7,503			14,565		
FINANCIAL EXPENSES DURING THE FISCAL YEAR	36,371			16,511		
FINANCIAL INCOME DURING THE FISCAL YEAR	(14,852)			(12,451)		
SHARE OF EARNINGS FROM ASSOCIATES	(262)			(371)		
AMORTISATION AND IMPAIRMENT LOSSES FOR THE FISCAL YEAR	110,468			91,169		
FAIR VALUE ADJUSTMENT OF STOCK OPTION PLANS	12,759			12,349		
UNREALISED EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	(16,132)			(3,011)		
LOSSES/(GAINS) ON SALE OF NON-CURRENT ASSETS	(1,345)			123		
PROVISIONS FOR EMPLOYEE BENEFITS	8			60		
PROVISIONS FOR RISKS AND CHARGES	1,344			1,502		
PAYMENT OF EMPLOYEE BENEFITS	(2)			(61)		
USE OF PROVISIONS FOR RISKS AND CHARGES	(37,986)			(32,943)		
CHANGES IN INVENTORIES	(126,027)			(46,615)		
CHANGES IN TRADE RECEIVABLES	(20,113)	(757)	3.8%	(1,095)	185	-16.9%
CHANGES IN TRADE PAYABLES	189,321	2,891	1.5%	46,152	4,836	10.5%
CHANGES IN OTHER CURRENT ASSETS AND LIABILITIES	9,867			(24,294)		
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	168,183		-	95,520		-
INCOME TAX PAID	(29,349)			(15,229)		
INTEREST AND OTHER FINANCIAL EXPENSES PAID	(36,371)			(16,511)		
INTEREST AND OTHER FINANCIAL INCOME RECEIVED	14,852			12,451		
CASH FROM (USED IN) OPERATING ACTIVITIES	117,315		-	76,231		-
INVESTING ACTIVITIES						

YOOX NET-A-PORTER GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS	31 DECEMBER 2017			31 DECEMBER 2016		
	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	(58,871)			(43,498)		
ACQUISITION OF INTANGIBLE ASSETS	(110,386)			(85,449)		
ACQUISITION OF EQUITY INVESTMENTS	-			-		
ACQUISITION OF OTHER NON-CURRENT FINANCIAL ASSETS	108			262		
ACQUISITION OF SUBSIDIARIES NET OF CASH AND CASH EQUIVALENTS ACQUIRED	-			-		
CASH FROM (USED IN) INVESTING ACTIVITIES	(169,149)			(128,685)		
<i>FINANCING ACTIVITIES</i>						
NEW SHORT-TERM LIABILITIES	57,242			82		
REPAYMENT OF SHORT-TERM LIABILITIES	(3,503)			(11,730)		
NEW MEDIUM/LONG-TERM FINANCIAL LIABILITIES	89,275			75,000		
REPAYMENT OF MEDIUM/LONG-TERM FINANCIAL LIABILITIES	(30,593)			(81,919)		
TREASURY SHARES ACQUISITION	-			-		
INCREASE IN SHARE CAPITAL AND SHARE PREMIUM RESERVE	29,735			100,186		
INVESTMENTS IN FINANCIAL ASSETS	16,547			(4,040)	240	-5.9%
CHANGE DUE TO DIFFERENCE BETWEEN CASH AND EQUITY EFFECT OF INCENTIVE PLANS	-			-		
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	158,703		-	77,579		-
TOTAL CASH FLOW FOR THE FISCAL YEAR	106,868		-	25,125		-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	155,465			130,340		
CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR	262,333			155,465		
TOTAL CASH FLOW FOR THE FISCAL YEAR	106,868			25,125		

ANNEX 4

Summary statement of consideration paid during the fiscal year for services provided to the Group by the independent auditors and other entities belonging to the same network as the independent auditors, prepared in application of Article 149-duodecies of Issuers' Regulation no. 11971 of 13 May 1999 and subsequent amendments.

TYPE OF SERVICE	SERVICE PROVIDER	RECIPIENT	AMOUNTS (THOUSANDS OF EUROS)
AUDITING			
AUDITING	KPMG S.P.A.	PARENT	1,540
AUDITING	KPMG S.P.A.	SUBSIDIARIES	1,307
CERTIFICATION SERVICES			
CERTIFICATION SERVICES	KPMG S.P.A.	PARENT	147
OTHER SERVICES			
OTHER SERVICES	KPMG S.P.A. AND KPMG NETWORK	PARENT	325
TOTAL			3,319

The amounts shown in the table, relating to the year 2017, are those agreed by contracts, including any indexing (but not including pocket expenses, any supervisory fees and VAT).

Certification services refer to the certification of the figures and of the working capital for the purposes of presenting the Information Document, the opinion on the fairness of the issue price for YNAP S.p.A. shares, as part of the increase in share capital for the purposes of the 2015-2025 stock option plan and for certificates on consolidated financial covenants.

Other services include tax and financial due diligence activities on THE NET-A-PORTER GROUP, activities involving the analysis of YNAP Group stock assessment criteria, assessments of procedures and controls relating to THE NET-A-PORTER GROUP's internal auditing system and analysis activities for the purposes of converting to The Net-a-Porter Group IFRS.

YOOX
NET-A-PORTER
GROUP

Certification of consolidated financial statements as at 31 December 2017 pursuant to Article 81-ter of Consob Regulation 11971 of 14 May 1999 as subsequently amended and supplemented

YNAP Group

**CERTIFICATION OF THE CONSOLIDATED FINANCIAL
STATEMENTS AS AT 31 DECEMBER 2017 PURSUANT TO
ARTICLE 81-TER OF CONSOB REGULATION No. 11971 OF 14
MAY 1999, AS AMENDED**

The undersigned, Federico Marchetti, as Chief Executive Officer, and Enrico Cavatorta, as Director in charge of preparing the corporate accounting documents of YOOX NET-A-PORTER GROUP S.p.A. hereby certify, with due regard for the provisions of Article 154-bis (3 and 4) of Legislative Decree No. 58 of 24 February 1998:

- the adequacy, with respect to the Company's characteristics and
- the actual application

of the administrative and accounting procedures for preparing the consolidated financial statements in 2017.

We also bear witness to the fact that:

The consolidated financial statements as at 31 December 2017:

- 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 19 July 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.

Date: 06 March 2018

Chief Executive Officer

Federico Marchetti

Director in charge of preparing
corporate accounting documents

Enrico Cavatorta

Board of Statutory Auditors' Report on the Consolidated Financial Statements



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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of
YOOX NET-A-PORTER GROUP S.p.A.*

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the YOOX NET-A-PORTER Group (the "group"), which comprise the statement of financial position as at 31 December 2017, the income statement and the statements of other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the YOOX NET-A-PORTER Group as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 31 of Legislative decree no. 2017/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of YOOX NET-A-PORTER GROUP S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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Gruppo YNAP
Independent auditors' report
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Recoverability of goodwill

Notes to the consolidated financial statements: note 5.2 – Use of estimates; note 5.4 – Accounting policies; note 8.15 – Purchase price allocation and goodwill

Key audit matter	Audit procedures
<p>The consolidated financial statements at 31 December 2017 include goodwill of €1,189 million.</p> <p>The directors have determined the recoverable amount of goodwill by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows.</p> <p>The directors have forecast the operating cash flows used for impairment testing on the basis of the 2017-20 business plan (the "plan"), which was updated and approved by the parent's board of directors on 6 March 2018, and of the revenue's and related profitability's long-term growth rates.</p> <p>For the above reasons, we believe that the recoverability of goodwill is a key audit matter.</p>	<p>Our audit procedures, which also involved our own valuation specialists, included:</p> <ul style="list-style-type: none"> — understanding and analysing the process used to draft the 2017-20 business plan; — challenging the reasonableness of the key assumptions used by the directors to determine the recoverable amount of goodwill, including the plan's operating cash flows. Our analyses included comparing the key assumptions used to the group's historical data and external information, where available; — analysing the valuation models adopted by the parent for reasonableness and consistency with professional practice; — checking the sensitivity analyses disclosed in the notes with reference to the key assumptions used for impairment testing, including the weighted average cost of capital, the long-term growth rate, the sensitivity of revenue and profitability; — assessing the appropriateness of the disclosures provided in the notes about goodwill and related impairment test.

Recoverability of development expense

Notes to the consolidated financial statements: note 5.2 – Use of estimates; note 5.4 – Accounting policies; note 8.14 – Intangible assets with a finite useful life; note 8.37 – Outlays for investments in other intangible assets

Key audit matter	Audit procedures
<p>The consolidated financial statements at 31 December 2017 include expenses of €172 thousand incurred to develop of a technological platform, including €96 million recognised as intangible assets under development.</p> <p>The capitalisation of development expense requires management estimates, as its recoverability depends on the forecast cash flows from the sale of the products sold by the group through the technological platform.</p> <p>These estimates are based on both the complex assumptions underlying the</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — understanding the process for the measurement of the recoverability of development expense and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — analysing the most significant discrepancies in assets capitalised on a regular basis, comparing them with the prior year figures and discussing the outcome with the relevant internal departments;



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projections of revenue and profitability and the directors' business strategic decisions.

Due to the complexity and subjectivity of the above estimates, we believe that the recovery of development expense is a key audit matter.

- analysing the recoverability valuation models adopted by the group for reasonableness and consistency with professional practice and sample-based reasonableness test of the forecast variables;
- assessing the appropriateness of the disclosures provided in the notes about development expense.

Measurement of inventories

Notes to the consolidated financial statements: note 5.2 – Use of estimates; note 5.4 – Accounting policies; note 8.19 – Inventories

Key audit matter	Audit procedures
<p>The consolidated financial statements at 31 December 2017 include inventories of €704 million, net of the allowance for inventory write-down of €70 million.</p> <p>Determining the allowance for inventory write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by the characteristics of the group's business segment. Moreover, it is based on algorithms for the measurement of the inventories' realisable value that consider the collections' seasonality, the change in customer preference, as well as the high number of product codes handled requiring constant monitoring of inventory movements and analysis of their profitability.</p> <p>For the above reasons, we believe that the measurement of inventories is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none">— understanding the process for the measurement of inventories and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls;— analysing documents and discussing the method used to calculate the allowance for inventory write-down with the relevant internal departments;— checking changes in inventories during the year, considering their expected life cycle based on their age and analysing the historical sales and profitability figures by season;— checking the algorithms used to classify inventories based on their age and condition for the purposes of determining their net realisable value;— assessing the appropriateness of the disclosures provided in the notes about inventories.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of YOOX NET-A-PORTER GROUP S.p.A. for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, in accordance with the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;



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- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 8 September 2009, the parent's shareholders engaged us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2009 to 31 December 2017.

We declare that the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 were not provided and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of YOOX NET-A-PORTER GROUP S.p.A. are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2017 and their compliance with the applicable law and to express a statement on any material misstatements.



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In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of the YOOX NET-A-PORTER Group at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the group and its environment obtained through our audit, we have nothing to report.

***Statement pursuant to article 4 of the Consob regulation implementing
Legislative decree no. 254/16***

The directors of YOOX NET-A-PORTER GROUP S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 16/16, we attested the compliance of the non-financial statement separately.

Milan, 7 March 2018

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director

Board of Statutory Auditors' report on the limited audit of the consolidated statement of a non-financial nature



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

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254/2016 and article 5 of Consob Regulation no. 20267

*To the board of directors of
YOOX NET-A-PORTER GROUP S.p.A.*

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of Consob (the Italian Commission for listed companies and the stock exchange) Regulation no. 20267, we have been engaged to perform a limited assurance engagement on the 2017 consolidated non-financial statement of YOOX NET-A-PORTER GROUP S.p.A. and its subsidiaries (the "group") prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 6 March 2018 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") for the NFS

The directors are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the decree and the "G4 Sustainability Reporting Guidelines: In accordance - Core" issued in 2013 by GRI - Global Reporting Initiative (the "GRI G4 Core Guidelines"), which they identified as the reporting standard.

The directors are also responsible, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the Group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies for the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, in accordance with the Italian law, compliance with the decree's provisions.

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

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Gruppo YNAP
Independent auditors' report
31 December 2017

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG S.p.A. applies International Standard on Quality Control 1 (ISQC (Italia) 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion on the compliance of the NFS with the requirements of the decree and the GRI G4 Core Guidelines. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board (IAASB) applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 (revised), and, therefore, it does not offer assurance that we become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures we performed are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the disclosures presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
3. Matching the financial data and information presented in the NFS to the relevant data and information included in the group's consolidated financial statements.
4. Gaining an understanding of the following:
 - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
 - the group's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
 - the main risks generated or borne in connection with the aspects set out in article 3 of the Decree.



Gruppo YNAP
Independent auditors' report
31 December 2017

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at parent and subsidiaries level:
 - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence;
 - b) we carried out analytical and selected procedures to check the correct aggregation of data in the quantitative information.
- we visited The Net-A-Porter Group Limited, which we have selected on the basis of its business, contribution to the key performance indicators at consolidated level and location, to meet their management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusions

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2017 consolidated non-financial statement of the YOOX NET-A-PORTER Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI G4 Core Guidelines.

Other matters

The group prepared a 2016 sustainability report and has presented, as far as possible, the data included therein for comparative purposes in its NFS. We reviewed that sustainability report in compliance with ISAE 3000 revised, not pursuant to any legal requirements, and expressed an unqualified conclusion thereon.

Milan, 7 March 2018

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director

YOOX
NET-A-PORTER
GROUP

SEPARATE FINANCIAL STATEMENTS YOOX NET-A-PORTER GROUP S.p.A.

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SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 PREPARED PURSUANT TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ⁽¹⁾

INCOME STATEMENT FOR THE PERIOD

THOUSANDS OF EUROS	NOTES	31/12/2017	31/12/2016
NET REVENUES	6.1	639,515	578,904
COST OF GOODS SOLD	6.2	(503,137)	(445,229)
FULFILMENT COSTS	6.3	(66,142)	(52,704)
SALES AND MARKETING COSTS	6.4	(41,600)	(40,949)
GENERAL EXPENSES	6.5	(107,569)	(85,814)
OTHER INCOME AND EXPENSES	6.6	176	(6,011)
NON-RECURRING EXPENSES	6.7	-	-
OPERATING PROFIT	6.8	(78,758)	(51,803)
INCOME FROM EQUITY INVESTMENTS	6.9	2,949	3,571
FINANCIAL INCOME	6.10	3,859	5,988
FINANCIAL EXPENSES	6.10	(14,363)	(12,674)
PROFIT BEFORE TAX		(86,313)	(54,918)
TAXES	6.11	16,608	10,997
NET INCOME FOR THE FISCAL YEAR		(69,705)	(43,921)
BASIC EARNINGS PER SHARE*	6.12	0.14	0.26
DILUTED EARNINGS PER SHARE*	6.12	0.14	0.25

(1) The financial statements, which were prepared in accordance with Consob Resolution 15519 of 27 July 2006 and CONSOB Communication DEM/6064293 of 28 July 2006, are annexed to the notes to the separate financial statements at 31 December 2017.

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

STATEMENT OF COMPREHENSIVE INCOME

THOUSANDS OF EUROS	NOTES	31/12/2017	31/12/2016
NET INCOME FOR THE FISCAL YEAR		(69,705)	(43,921)
OTHER COMPONENTS OF COMPREHENSIVE INCOME, NET OF TAX EFFECTS			
PROFIT/(LOSS) FROM CASH FLOW HEDGES	6.23	789	(431)
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME WHICH WILL BE (OR COULD BE) RECLASSIFIED IN THE INCOME STATEMENT		789	(431)
NET CHANGE IN RETAINED EARNINGS AND ACTUARIAL LOSSES RELATING TO EMPLOYEE BENEFITS	6.23	(7)	(12)
TOTAL OTHER COMPONENTS OF COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED IN THE INCOME STATEMENT		(7)	(12)
TOTAL COMPREHENSIVE NET INCOME FOR THE FISCAL YEAR		(68,922)	(44,364)

YOOX NET-A-PORTER GROUP

STATEMENT OF FINANCIAL POSITION

THOUSANDS OF EUROS	NOTES	31/12/2017	31/12/2016
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	6.13	90,786	60,093
INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	6.14	159,678	91,981
EQUITY INTERESTS IN SUBSIDIARY COMPANIES	6.15	1,861,266	1,858,870
INVESTMENTS IN ASSOCIATES	6.16	963	701
DEFERRED TAX ASSETS	6.17	38,035	21,629
OTHER NON-CURRENT FINANCIAL ASSETS	6.18	237	146
TOTAL NON-CURRENT ASSETS		2,150,965	2,033,419
CURRENT ASSETS			
NET INVENTORIES	6.19	321,072	235,181
TRADE RECEIVABLES	6.20	110,927	70,215
OTHER CURRENT ASSETS	6.21	19,894	24,021
CASH AND CASH EQUIVALENTS	6.22	39,919	58,480
CURRENT FINANCIAL ASSETS	6.22	25,278	16,404
TOTAL CURRENT ASSETS		517,091	404,300
TOTAL ASSETS		2,668,055	2,437,720
SHAREHOLDERS' EQUITY			
SHARE CAPITAL		1,340	1,337
RESERVES		2,069,247	2,074,602
RETAINED EARNINGS AND LOSSES RESERVE		-	24,766
NET INCOME FOR THE FISCAL YEAR		(69,705)	(43,921)
TOTAL SHAREHOLDERS' EQUITY	6.23	2,000,882	2,056,785
NON-CURRENT LIABILITIES			
MEDIUM/LONG-TERM FINANCIAL LIABILITIES	6.25	156,410	98,810
EMPLOYEE BENEFITS	6.26	160	153
PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	6.27	-	-
DEFERRED TAX LIABILITIES	6.28	306	177
TOTAL NON-CURRENT LIABILITIES		156,876	99,140
CURRENT LIABILITIES			
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	6.25	70,270	16,454
PROVISIONS FOR RISKS AND CHARGES	6.27	1,701	980
TRADE PAYABLES	6.29	361,028	223,551
TAX LIABILITIES	6.30	-	-
OTHER PAYABLES	6.31	77,299	40,810
TOTAL CURRENT LIABILITIES		510,297	281,795
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,668,055	2,437,720

STATEMENT OF CHANGES IN EQUITY AS AT 31/12/2017 AND AS AT 31/12/2016 – NOTE 6.23

THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM RESERVE AND OTHER EQUITY- RELATED RESERVES	LEGAL RESERVE	TREASURY SHARE ACQUISITION RESERVE	CASH FLOW HEDGE RESERVE	IAS 19 RESERVE	STOCK OPTION RESERVE	RETAINED EARNINGS OR LOSSES CARRIED FORWARD	NET INCOME	TOTAL
31 DECEMBER 2015	1,301	1,941,658	193	(162)	(393)	(47)	21,982	36,185	(11,351)	1,989,365
SHARE CAPITAL INCREASES	36	99,964	-	-	-	-	-	-	-	100,000
INCREASES IN RESERVES FOR SHARE-BASED PAYMENTS	-	50	-	-	-	-	12,349	-	-	12,535
LARGENTA MERGER DEFICIT	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	-	-	-	-	(431)	(12)	-	-	(43,921)	(44,364)
OTHER CHANGES	-	(614)	67	-	-	-	-	(11,418)	11,351	(750)
31 DECEMBER 2016	1,337	2,041,058	260	(162)	(824)	(60)	34,332	24,768	(43,921)	2,056,785
SHARE CAPITAL INCREASES	3	298	-	-	-	-	-	-	-	300
INCREASES IN RESERVES FOR SHARE-BASED PAYMENTS	-	-	-	-	-	-	12,719	-	-	12,719
LARGENTA MERGER DEFICIT	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME	-	-	-	-	789	(7)	-	-	(69,705)	(68,922)
OTHER CHANGES	-	(19,162)	7	-	-	-	-	(24,768)	43,921	-
31 DECEMBER 2017	1,340	2,022,194	267	(162)	(35)	(66)	47,050	-	(69,705)	2,000,882

YOOX NET-A-PORTER GROUP

STATEMENT OF CASH FLOWS

THOUSANDS OF EUROS	NOTES	31/12/2017	31/12/2016
NET INCOME FOR THE FISCAL YEAR	6.33	(69,705)	(43,921)
ADJUSTMENTS FOR:			
TAXES FOR THE FISCAL YEAR	6.32	(16,608)	(10,997)
FINANCIAL EXPENSES DURING THE FISCAL YEAR	6.33	14,363	12,674
FINANCIAL INCOME DURING THE FISCAL YEAR	6.33	(3,859)	(5,988)
DIVISIONS REPORTED IN THE FISCAL YEAR	6.33	(2,687)	(3,199)
SHARE OF EARNINGS FROM ASSOCIATES	6.33	(262)	(371)
AMORTISATION AND IMPAIRMENT LOSSES FOR THE FISCAL YEAR	6.32	47,747	35,659
FAIR VALUE ADJUSTMENT OF STOCK OPTION PLANS	6.33	10,322	10,294
LOSSES/(GAINS) ON SALE OF NON-CURRENT ASSETS	6.33	(1,224)	33
PROVISIONS FOR EMPLOYEE BENEFITS	6.33	8	60
PROVISIONS FOR RISKS AND CHARGES	6.33	1,344	980
PAYMENT OF EMPLOYEE BENEFITS	6.33	(2)	(61)
USE OF PROVISIONS FOR RISKS AND CHARGES	6.33	(623)	(343)
CHANGES IN INVENTORIES	6.34	(85,891)	(6,142)
CHANGES IN TRADE RECEIVABLES	6.34	(40,712)	(23,194)
CHANGES IN TRADE PAYABLES	6.34	137,477	44,370
CHANGES IN OTHER CURRENT ASSETS AND LIABILITIES	6.35	41,787	(19,146)
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		31,474	(9,294)
INCOME TAX PAID	6.32	332	(1,478)
INTEREST AND OTHER FINANCIAL EXPENSES PAID	6.33	(14,363)	(12,674)
INTEREST AND OTHER FINANCIAL INCOME RECEIVED	6.33	3,859	5,988
DIVIDENDS DRAWN		2,687	3,199
CASH FROM (USED IN) OPERATING ACTIVITIES		23,989	(14,258)
INVESTING ACTIVITIES			
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	6.36	(42,723)	(26,778)
ACQUISITION OF INTANGIBLE ASSETS	6.37	(103,580)	(65,165)
ACQUISITION OF STAKES IN SUBSIDIARIES	6.38	-	-
ACQUISITION OF STAKES IN ASSOCIATES	6.38	-	-
ACQUISITION OF OTHER NON-CURRENT FINANCIAL ASSETS	6.39	(91)	(40)
CASH FROM (USED IN) INVESTING ACTIVITIES		(146,394)	(91,984)
FINANCING ACTIVITIES			
NEW SHORT-TERM LIABILITIES	6.42	57,242	82
REPAYMENT OF SHORT-TERM LIABILITIES	6.42	(3,503)	(11,730)
NEW MEDIUM/LONG-TERM FINANCIAL LIABILITIES	6.41	89,275	75,000
REPAYMENT OF MEDIUM/LONG-TERM FINANCIAL LIABILITIES	6.41	(30,593)	(81,919)
TREASURY SHARE ACQUISITION		-	-
PAYMENT FOR SHARE CAPITAL INCREASE AND SHARE PREMIUM RESERVE	6.40	297	100,186
INVESTMENTS IN OTHER FINANCIAL ASSETS	6.22	(8,874)	(1,578)
CHANGE DUE TO DIFFERENCE BETWEEN CASH AND EQUITY EFFECT OF INCENTIVE PLANS	6.25	-	-
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		103,845	80,041
TOTAL CASH FLOW FOR THE FISCAL YEAR		(18,560)	(26,201)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	6.22	58,480	84,680
CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR	6.22	39,919	58,480
TOTAL CASH FLOW FOR THE FISCAL YEAR		(18,560)	(26,201)

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

1. COMPANY STRUCTURE AND ACTIVITIES

YOOX NET-A-PORTER GROUP S.p.A. (hereinafter “the Company” or “the Parent Company”) is the parent company of the YNAP Group. It is subject to Italian law and its registered offices are in Milan, Italy. The Company is active in e-commerce and offers commercial services relating to clothing and fashion accessories, and more generally to anything that accessorises the person or the home, during free time, when relaxing or during leisure activities.

Please note that information by business segment is presented at Group level in paragraph 5 of the consolidated financial statements.

2. APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

The separate financial statements as at 31 December 2017 were approved by the Board of Directors on 06 March 2018. They have been audited and will be presented to the Shareholders.

3. STATEMENT OF COMPLIANCE WITH IAS/IFRS AND GENERAL CRITERIA USED TO PREPARE THE SEPARATE FINANCIAL STATEMENTS

YOOX NET-A-PORTER GROUP S.p.A. prepared the financial statements as at 31 December 2017 in accordance with the IFRS issued by the International Accounting Standard Board (IASB) and endorsed by the European Union. The acronym IFRS also includes all the interpretations of International Financial Reporting Standards Committee (IFRIC), formerly the Standing Interpretations Committee (SIC). The separate financial statements at 31 December 2017 were also drawn up in accordance with rules adopted by CONSOB on financial statements pursuant to Article 9 of Legislative Decree 38/2005 and other CONSOB rules and regulations concerning financial statements. The financial statements at 31 December 2017 were compared with the previous financial statements for the previous year and are made up of the income statement, the statement of comprehensive income, the statement of financial position and the statement of changes in equity, as well as the notes thereto.

CONSOLIDATED FINANCIAL STATEMENTS

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

As indicated above, the separate financial statements as at 31 December 2017 were drawn up in accordance with the IFRS endorsed by the European Union, and comprise the following:

Income statement

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

Statement of comprehensive income

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

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Statement of financial position

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

Statement of changes in shareholders' equity

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

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

Statement of cash flows

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

4. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

BASIS OF PREPARATION

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

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

Financial transactions are recognised according to the trade date.

The accounting policies adopted for the preparation of the separate financial statements as at 31 December 2017 were applied in the same way for all periods presented for comparison.

USE OF ESTIMATES

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

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

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

Allowance for impairment

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

Provision for obsolete inventories

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

Recoverable amount of non-current assets

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

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

- In this context, the Group took performance expectations for 2018 into account when drawing up the financial statements as at 31 December 2017 and, more specifically, when conducting impairment tests on equity investments, property, plant and equipment and intangible assets. For future years, it also drew up specific performance forecasts for its businesses on a precautionary basis, which take into account the profound changes to the economic, financial and market situation that have been brought about by the crisis. On the basis of these forecasts, there is no apparent need for significant impairment.
- In the event of a further worsening of the assumptions forming the basis for the forecasts, the following should be noted: in terms of the Company's property, plant and equipment and intangible assets with finite useful life (essentially development costs), the forecasts refer to recent applications/platforms with highly technological content, which makes them competitive in the current economic climate. It is therefore thought highly likely that the life-cycles of these products could be prolonged, allowing the Company to achieve sufficient income flows to cover the investment made in the assets within the timeframe identified.

Defined benefit plans

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

Recoverability of deferred tax assets

The Company recognises deferred tax assets up to the value at which it believes recovery to be likely in future years and on a time line that is consistent with the implicit time horizon used in management estimates.

Contingent liabilities

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

TREATMENT OF FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions

Assets and liabilities of foreign operations, including goodwill and fair value adjustments resulting from the acquisition, were converted into Euros using the exchange rate recorded as at year-end. Profit and Losses from foreign transactions have been translated at the spot exchange rate on the reporting date.

Exchange rate differences are recognised among components of the statement of comprehensive income and included in the conversion reserve.

The following table shows the exchange rates used at 31 December 2017 and at 31 December 2016 for the translation of items in the income statement and statement of financial position denominated in foreign currencies (source: www.bancaditalia.it):

	EXCHANGE RATE AS AT 31/12/2017	AVERAGE EXCHANGE RATE FOR 2017
USD	1.1993	1.1297
AED	4.4044	4.1475
JPY	135.01	126.71
CNY	7.8044	7.6290
HKD	9.3720	8.8045
GBP	0.8872	0.8767
RUB	69.392	65.938
AUD	1.5346	1.4732
CAD	1.5039	1.4647
KRW	1,279.6	1,276.7

	EXCHANGE RATE AS AT 31/12/2016	AVERAGE EXCHANGE RATE FOR 2016
USD	1.0541	1.1069
AED	3.8696	4.0634
JPY	123.40	120.20
CNY	7.3202	7.3522
HKD	8.1751	8.5922
GBP	0.8562	0.8195
RUB	64.300	74.145
AUD	1.4596	1.4883
CAD	1.4188	1.4569
KRW	1,269.4	1,284.2

The foreign currencies are reported against euro units.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

Cash flow hedging

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

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

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

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

Property, plant and equipment

Valuation and measurement

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

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

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

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

Subsequent costs

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

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

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

Assets under finance leases

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

Depreciation

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

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

equipment	15%
general plant	15%
specific plant	9%
electronic office equipment	20%
furniture and furnishings	15%

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

Intangible assets

Development costs

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

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

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

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

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

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

Other intangible assets with finite useful life

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

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Subsequent expenses

Subsequent expenses are capitalised only when they increase the anticipated future economic benefits attributable to the asset to which they refer. All other subsequent expenses are entered in the income statement in the year in which they are incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the intangible assets, beginning when the asset is available for use. The appropriate economic and technical lives of these items are as follows:

Development costs	30%
Software and licences	33%
Brands and other rights	10%
Other intangible assets	33%

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

Stakes in subsidiaries and associated companies

In the Parent's financial statements, stakes in subsidiaries (not classified as held for sale) are recognised at cost, adjusted for any impairment losses, and translated into euros at historical exchange rates if referring to stakes in foreign companies whose reporting currency is not the euro.

Positive differences between the price and the corresponding portions of shareholders' equity arising upon acquisition of the investments are maintained in the carrying amount of the stakes themselves. The purchase or sale values of equity investments, business units or company assets under joint control are recognised at ongoing historical cost levels without recognising gains or losses.

If there are indications that the value of equity investments may have decreased, they are tested for impairment and written down if required. For the impairment loss to be charged to the income statement, there must be objective evidence that events have taken place which impacted the estimated future cash flows of the stakes. Any losses exceeding the carrying amount of the equity investments, which may arise as a result of legal or implicit obligations to cover the losses of investee companies, are recognised under provisions for risks and charges.

The original value is restored in subsequent years if the reasons for the write-down are eliminated.

The associated dividends are recognised under financial income from equity interests at the moment the right to obtain them is determined, generally coinciding with the shareholder resolution.

In the financial statements of the Parent, stakes in associated companies are measured at fair value in compliance with IAS 39, and any change in fair value is recognised in the statement of profit (loss) in the fiscal year in which it takes place.

Other non-current financial assets

This category includes guarantee deposits that are expected to be settled in more than 12 months.

The initial recording of non-current financial assets is based on fair value as at the trade date (i.e., the acquisition cost), net of transaction costs directly attributable to the acquisition.

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

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

At each reporting date, it is determined whether there is objective evidence that any of the non-current financial assets have undergone an impairment loss.

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

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

If in a subsequent financial year the amount of the impairment loss decreases and that decrease is linked to an event subsequent to the recognition of the impairment loss, the loss is reversed and the relative write-back is recognised in the income statement.

Current financial assets

Current financial assets and securities held to maturity are accounted for on the basis of the settlement date and, for their first-time recognition in the financial statements, they are recorded at acquisition cost, inclusive of accessory transaction costs. Subsequent to initial recognition, financial instruments available for sale and held for trading are measured at fair value. If the market price is not available, the fair value of the financial instruments available for sale is measured using the most appropriate evaluation techniques, such as, for example the analysis of discounted cash flows, made using the market information available at the date of the financial statements.

The profits and losses for financial assets available for sale are measured directly under "Other total profits (losses)" until the time the financial asset is sold or impaired; at the time the asset is sold, the profits or accumulated losses, including those previously recorded under "Other total profits (losses)" are included in the income statement for the period; at the time the asset is impaired, the accumulated losses are included in the income statement. The profits and losses created by variations in the fair value of financial instruments classified as held for trading are recorded in the income statement for the period.

Bonds held with the intention of keeping them in the portfolio until maturity and all financial assets for which listings are not available in an active market and whose fair value cannot be determined in a reliable way, are valued, if they have a fixed term, at the amortised cost, using the effective interest method. When the financial assets do not have a fixed term, they are measured at acquisition cost. Loans with a term of more than a year, which are non-interest bearing or which mature with interest lower than market rates are discounted using the market rates.

Assessments are carried out regularly to verify whether there is objective evidence that a financial asset or a group of assets may be impaired. If this objective evidence is identified, the impairment loss is recognised as a cost in the income statement for the period.

Inventories

Inventories are measured at the lower of acquisition and/or production cost and the net realisable value on the basis of market trends, taking into account the relative accessory sales costs. The cost of inventories, determined in accordance with the average cost method by product category, includes acquisition costs and the costs incurred to bring inventories to their current location and conditions.

In order to adequately represent the value of inventories in the financial statements and to consider impairment losses deriving from obsolete material and low turnover, a provision for obsolescence has been recognised, as a direct deduction of the value of the inventories.

Trade receivables and other receivables

Trade and other receivables, generally maturing in less than one year, are recognised at the fair value of the initial payment increased by transaction costs. They are subsequently measured at amortised cost, adjusted to reflect any losses due to impairment, determined as the difference between the carrying amount and the value of estimated future cash flows. If the impairment loss decreases in a subsequent fiscal year, the previously recognised loss is partially or fully reversed and the value

of the receivable is restored to a value that does not exceed the amortised cost that would have been recognised had there been no loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank and postal accounts and equivalents that may be liquidated in an extremely brief period of time (three months), which are recognised at nominal value and the spot exchange rate at year-end, if in foreign currency, corresponding to the fair value.

Asset impairment losses and reversals

As at each reporting date, the Company tests the carrying amounts of equity investments and tangible and intangible assets for impairment if there is any indication that the value of such assets may have decreased. If this indication is identified, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Intangible assets not yet available for use are tested for impairment every year, or more frequently whenever there is an indication that the asset may have undergone an impairment loss.

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

If this test brings to light any impairment in the assets recognised or in a cash generating unit (CGU), the recoverable amount is estimated and the part of the carrying amount exceeding the recoverable amount is allocated to the income statement. The impairment loss of a CGU is first allocated to goodwill, if any, and subsequently recognised as a reduction in the value of other assets.

The recoverable amount of an asset or a CGU is determined by discounting cash flow projections relating to the asset or the CGU. The discounting rate used is the cost of capital based on the specific risks of the asset or the CGU. The recoverable amount of investments in securities held to maturity and receivables recognised at amortised cost corresponds to the present value of future cash flows, discounted on the basis of the effective interest rate calculated at initial recognition. The recoverable amount of other assets is the higher of the sale price and the value in use, determined by discounting the estimated future cash flows based on a rate that reflects market valuations.

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

When a loss on assets other than goodwill is subsequently eliminated or reduced, the carrying amount of the asset or the CGU is increased up to the new estimate of the recoverable amount, although it may not exceed the value that would have been determined if no impairment had been recognised. The write-back of a loss is recognised immediately in the income statement.

Share capital and other shareholders' equity items

The share capital consists of the outstanding ordinary shares of the Parent.

Any costs for the issue of new shares or stock options are classified in Shareholders' Equity (net of the associated tax benefit) as a deduction in income deriving from the issue of such instruments.

As set forth in IAS 32, if instruments representing equity are repurchased, such instruments (treasury shares) are deducted directly from shareholders' equity and recognised in the item Other reserves. No profit or loss is recognised in the income statement at the time of the acquisition, sale or cancellation of treasury shares.

The amount paid or received, including any other cost incurred that is directly attributable to the capital transaction, net of any associated tax benefit, is recognised as a change in shareholders' equity.

Any dividends recognised to shareholders are recognised as liabilities in the period in which they are decided upon.

Financial liabilities

Financial liabilities are initially recognised at fair value net of accessory costs and, subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The difference between the amortised cost and the repayment value is allocated to the income statement in relation to the duration of the liability based on interest accrued. When hedge accounting is applicable, financial liabilities hedged by derivatives are measured consistently with the hedging instrument.

Employee benefits

The Italian company's severance indemnity is considered to be a defined-benefit plan under IAS 19. The benefits guaranteed to employees, in the form of post-employment benefits disbursed at the time of termination of employment, are recognised at the expected future value of the benefits that employees will receive and which have accrued during the year and in previous years. The benefits are discounted and the liability is recognised net of the fair value of any assets used for pension plans. These net obligations are determined separately for each plan on the basis of actuarial assumptions and are measured at least once a year, with the support of an independent actuary using the projected unit credit method.

As of 1 January 2013, it is no longer an option to defer the recognition of actuarial gains and losses using the corridor method, which means that the entire fund deficit or surplus needs to be recognised in the statement of financial position, and the cost components linked to the work provided and net financial expenses should be recognised separately in the income statement, while actuarial gains and losses deriving from the remeasurement of the liabilities and assets each fiscal year are recognised in "Other comprehensive income/(loss)".

Transactions with share-based payments

YOOX NET-A-PORTER GROUP S.p.A. awards additional benefits to some directors, managers, office workers, consultants and other employees through stock option plans and the Company incentive plan. according to the provisions of IFRS 2 - Share-based payment - they are classified as the "equity settlement" type; therefore, the total amount of the present value of the Stock Options and the Company incentive plan at the grant date is recognised as a cost in the income statement. Changes in present value subsequent to the grant date have no effect on the initial measurement. The cost for remuneration, corresponding to the present value of stock options at the grant date, is recognised under personnel costs on a straight-line basis during the period between the grant date and the vesting date, with a matching entry recognised in shareholders' equity.

Provisions for risks and charges

Provisions for risks and charges are recognised for expenses for Company obligations, of a legal or implicit nature (contractual or of any other nature), deriving from a past event. Provisions for risks and charges are recognised if it is likely that the use of resources will be necessary to meet the obligation and if it is possible to reliably estimate the obligation. An implicit obligation is defined as an obligation that arises when the Company has notified other parties, via established practices, public company strategies or a sufficiently explicit announcement, that it will accept the obligation, in such a way that the third party expects the Company to honour the obligation. If it is estimated that these obligations will arise in more than twelve months and the relative effects are significant, they are discounted at a rate that takes into account the cost of money and the specific risk of the liability recognised. Any change in the estimate of provisions is reflected in the income statement in the period in which it takes place. If discounting is applied, the increase in the provision due to the passing of time and any effect deriving from changes in the discounting rate is recognised as a financial expense.

Trade payables and other payables

Trade and other payables, due within normal commercial terms, typically less than one year, are recognised at the fair value of the initial payment increased by transaction costs. After initial recognition, they are measured at amortised cost, with any

differences recognised in the income statement over the duration of the liability in compliance with the effective interest method. Trade and other payables generally have a duration of less than one year and, therefore, are not discounted.

Revenues and income

Sales

Revenues from sales are measured at the fair value of the payment received or due, taking into account the value of any returns, allowances, trade discounts and quantity-related premiums. Revenues are recognised when the significant risks and benefits associated with asset ownership are transferred to the purchaser, when the payment is likely to be recovered, the relative costs or any return of goods may be estimated reliably and if the Management stops exercising the continuous level of activity usually associated with the ownership of the good sold.

Risks and benefits are typically transferred at the time of shipment to the customer, i.e. the moment the goods are handed over to the carrier.

Services

Revenues from the provision of services are recognised in the income statement based on service progress at the reporting date. Progress is evaluated based on measurements of the work carried out.

Commissions

When the Company acts as a trade intermediary and not as the buyer within a transaction, the revenues recognised correspond to the net amount of the Company's commission.

Dividends

Dividends receivable are recognised as income in the income statement at the date of approval by the Shareholders' Meeting of the distributing company. On the other hand, dividends payable are recognised as changes in shareholders' equity in the fiscal year in which they are approved by the shareholders' meeting.

Cost of goods sold

The cost of goods sold is the total cost incurred by the Company to sell all goods with which it recognises sales revenue, net of changes in inventories of finished products. Therefore, the cost of goods sold includes costs to purchase goods plus direct and indirect, internal and external accessory costs, including transport costs and import and export duties. Costs incurred for transport relating to sales are included in the cost of goods sold as they are directly correlated with sales revenues. Costs for the purchase of goods for resale are measured at the fair value of the amount paid or agreed upon. In general, the amount of costs to purchase goods for resale therefore consists of cash or cash equivalents paid or to be paid in the future, within normal collection terms. On this basis, costs for the purchase of goods for resale are recognised based on prices for the acquisition of the goods reported on the invoice, net of premiums, discounts and allowances.

Costs for the purchase of goods for resale are adjusted if applicable to take into account any decisions to apply discounts additional to those agreed upon in the contract and any payment terms exceeding 12 months, so as to amount to the supplier's granting of financing to the Company. In this last case, the present value of costs for the purchase of goods is represented by the future cash flow capitalised at a market interest rate. Likewise, when additional discounts are applied for early cash payments with respect to the payment terms agreed upon in the contract or on the invoice, the present value of costs for the purchase of goods is recognised gross of that additional discount, which is reported under interest income.

The change in inventories of goods shows the difference between opening inventories (or closing inventories from the previous period) and closing inventories for the reference accounting period.

In addition, the cost of goods sold also includes costs correlated with the revenues invoiced to the strategic partners of the online stores in the mono-brand business line for the assistance for the construction/maintenance of their online stores.

Fulfilment costs

This refers to costs incurred for:

- digital production, cataloguing and quality control: this item includes costs incurred for the "cataloguing" of goods acquired, or for labelling, classifying and storing them in the warehouse. These include costs of employed personnel, insurance, consulting services and the acquisition of consumables. It also includes part of the costs for the depreciation of assets involved in the process, the cost for renting vehicles and other expenses that may be directly allocated to the departments involved in the process;
- logistics: this item includes internal handling and packaging costs of goods, or costs for logistics management at the warehouse and the relative consulting services, as well as a portion of the depreciation and amortisation of tangible and intangible assets, and the cost incurred for the remuneration of employees working directly in that area;
- customer services: these costs include all expenses for the management of customer care, i.e., the costs of the call centre and telephone and emailing services made available to customers, costs for personnel, and the depreciation and amortisation of the relative tangible and intangible assets.

Sales and marketing costs and general and administrative expenses

Expenses relating to the items specified are measured at the fair value of the amounts paid or agreed upon.

In general, the amount of these costs consists of cash or cash equivalents to be paid in the future, within normal collection terms. On this basis, the costs are recognised based on the prices for the services reported on the invoice, net of premiums and discounts.

These costs are adjusted if there are any discounts additional to those agreed upon in the contract and any payment terms exceeding 12 months, so as to amount to the supplier's granting of financing to the Company.

In this last case, the present value of costs for services is represented by the future cash flow capitalised at a market interest rate.

When additional discounts are applied for early cash payments with respect to the collection terms agreed upon in the contract or on the invoice, the present value of costs for services is recognised gross of that additional discount, which is reported under interest income.

The cost is recognised on an accrual basis, i.e. based on the stage of completion of the service provided at the reporting date.

The costs that the Company believes will result in cash outflows during the year, but the amount of which it is unable to precisely quantify, are allocated to the income statement based on reasonable estimates.

Rental and operating lease payments

Rental and operating lease payments are recognised in the income statement on an accrual basis, or when the economic benefits of the assets rented or leased are recognised. If the economic benefits are lower than mandatory minimum expenses, categorised as contracts for consideration, the costs are recognised immediately in the income statement to an extent equal to the difference between expenses and discounted benefits.

Non-recurring expenses

Non-recurring expenses are associated with extraordinary transactions, which include primarily expenses for legal, tax, accounting, financial and strategic consulting services, as well as other general expenses connected with the relative transactions.

Income from equity investments

Income and expenses from associates include the effects resulting from valuation at equity and capital gains and losses from the sale of investments in associates. The item also includes write-downs related to the impairment of financial assets and any write-backs of equity investments, allocations to provisions for risks on equity investments and income from the collection of dividends.

Financial income and expenses

Financial income includes interest income on invested liquidity and profits on hedging instruments recognised in the income statement. Interest income is recognised in the income statement on an accrual basis using the effective interest method. Financial expense includes interest expenses on loans and losses on hedging instruments recognised in the income statement. Costs relating to loans are recognised in the income statement using the effective interest method.

Income taxes

The tax burden for the year includes current and deferred taxes. Income taxes are recognised in the income statement, with the exception of those relating to any transactions recognised directly in shareholders' equity where they are recorded.

Current taxes represent the estimated amount of income taxes due, calculated on taxable income for the year, determined by applying the tax rates in force or substantially in force at the reporting date and any adjustments to the amount relating to previous years.

Deferred taxes are recognised in accordance with the equity method, by calculating temporary differences between the carrying amounts of assets and liabilities recognised in the financial statements and the corresponding values recognised for tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to be applicable in the year in which the asset or liability to which they refer will be realised or settled, respectively, on the basis of the tax rates established by measures in force or substantially in force at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets with current tax liabilities and if the deferred tax assets and liabilities relate to income taxes applied by the same tax authority on the same taxpayer or different taxpayers which intend to settle current tax assets and liabilities on a net basis, or sell the assets and settle the liabilities simultaneously.

Deferred tax assets are recognised to the extent to which it is likely that future taxable income will be available against which such assets may be used. The value of deferred tax assets is reviewed at each reporting date and is reduced to the extent to which it is no longer likely that the relative tax benefit may be realised.

Additional income taxes resulting from any distribution of dividends are accounted for when the liability for payment of the dividend is recognised.

Earnings per share

Basic earnings per share is calculated based on the ratio between the profit pertaining to the Parent and the weighted average of the number of ordinary shares outstanding during the reference period, with the exclusion of any treasury shares held in the portfolio. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming the conversion into ordinary shares of all stock options granted with a dilutive effect. The Parent has a category of potential ordinary shares with a dilutive effect relating to the Stock Option plans.

5. CHANGES TO ACCOUNTING STANDARDS, NEW ACCOUNTING STANDARDS, CHANGES TO ESTIMATES AND RECLASSIFICATIONS

NEW ACCOUNTING PRINCIPLES AND AMENDMENTS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP

The new accounting standards or amendments applicable for fiscal years beginning after 1 January 2018, which may be applied in advance, are specified below. The Group has decided not to adopt them in advance for the preparation of these consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers – The adoption of IFRS 15 involves cancellation of IAS 18 Revenues and IAS 11 Construction Contracts and their related interpretations, from the date IFRS 15 enters into effect.

The new elements can be summarized as follows:

- the introduction – within a single accounting standard – of a common framework” for the recognition of revenues whether from the sale of goods or the provision of services;
- ‘the adoption of a “step” approach to recognising revenue;
- an “unbundling” mechanism for attribution of the global pricing of the transaction to each of the commitments (sale of goods and/or provision of services) comprising part of the transfer agreement.

In general, IFRS 15 requires entities to adopt a five “step” approach to recognising revenues:

1. identify the contract(s) with a customer: the IFRS 15 instructions apply to each contract concluded with a customer and follows specific criteria.

In some cases, IFRS 15 requires an entity to combine/aggregate several contracts and recognise them as a single contract;

2. identification of the performance obligations in the contract: a contract represents the obligations to transfer goods and services to a customer. If these goods or services are “distinct”, these promises identify as a performance obligation and are recognised separately;

3. determination of the transaction price: the transaction price is the amount to which an entity expects to be entitled in exchange for the transfer of goods and services. The price set for a transaction may be fixed, but at times it may include variable components or non-cash components;

4. allocation of the transaction price to the performance obligations in the contracts: where a contract has multiple performance obligations, an entity will allocate the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices. If a standalone selling price is not directly observable, the entity will need to estimate it. The standard specifies that an entity shall allocate a discount or a variable component, to one or more but not to all, of the performance obligations (or the separate goods or services) included in the contract;

5. recognition of revenue when (or as) the entity satisfies a performance obligation: an entity recognises the revenue when it satisfies a performance obligation through transfer of a good or provision of a service, as provided in a contract, to a customer (i.e. when that customer acquires control of that good or service). The amount of the revenue to be recognised is the amount that was allocated to the performance obligation which was fulfilled. A performance obligation can be fulfilled at a given time (typically when the goods are transferred) or over a period of time (typically when services are provided). For performance obligations fulfilled over a period of time, an entity will recognise the revenue during that period of time, selecting the most appropriate method for measuring the progress towards fulfilment of the performance obligation. To ensure completeness, we note that during 2017, Regulation 1987/2017 was endorsed, This is also applicable from 1 January 2018 - it amends IFRS 15. These amendments essentially clarify certain aspects of the new standard and provide operating specifications which are useful during the transition phase.

The Group does not expect any significant impacts from the procedures and recognition times set forth in IFRS 15.

IFRS 16 Leases – IFRS 16 replaces the current provisions regarding leases included in IAS 17 Leasing, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases - Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 applies for fiscal years beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 as at the first application date of IFRS 16 or which already applied it.

IFRS 16 introduces a unique model for recognition of leases in the lessee accounts according to which the lessee recognises an asset representing the right to use the underlying asset and a liability which reflects the obligation to pay the rent. There are exemptions to the application of IFRS 16 for short term leases and for leases of a low value. The procedures to be followed by lessee are similar to those set forth in the currently applicable standard, i.e. the lessee continues to classify the lease as an operating or financial lease.

The Group has performed a preliminary assessment of the potential effects on the consolidated financial statements, but no detailed analysis has taken place thus far. The actual effects of applying IFRS 16 on first application to the financial statements will depend on future economic conditions, including the lending rate as at 1 January 2019, the composition of the Group’s

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leases as at that date, a more recent assessment by the Group regarding whether or not to renew leases and the extent to which the Group will opt to use practical measures and exemptions.

Currently, the most significant effect consists of the Group's recognition of new assets and liabilities for operating leases referring to the structures that host the warehouses and factories. As at 31 December 2017, the minimum future payments for irrevocable operating leases totalled € 78,558 thousand, on an undiscounted basis.

Moreover, the nature of the costs of the aforementioned leases will change when IFRS 16 replaces straight line accounting of the costs for operating leases with amortization of the usage rights and the financial charges based on lease liabilities.

The impact insofar as the Group's financial leases is not expected to be significant.

The Group does not expect adoption of IFRS 16 to influence its ability to comply with the covenants regarding the indebtedness ceiling set forth in the loan agreement described under Note 6.25.

In its role as a lessee, the Group may apply the standard by using:

- the retroactive method; or
- the retroactive method modified with the usage of optional practical measures.

The lessee must apply the same methods uniformly to all the leases.

The Group intends to apply IFRS 16 from the first application date (i.e. 1 January 2019) using the modified retroactive method. Therefore, the cumulative effect of adopting IFRS 16 will be recognised by adjusting the opening balance of the retained earnings carried forward as at 1 January 2019, without recalculating the comparative information.

As at the close of the year, the minimum future payments for irrevocable operating leases are as follows:

THOUSANDS OF EUROS	31 DEC 2017	31 DEC 2016
WITHIN THE YEAR	9,630	5,866
BETWEEN ONE AND FIVE YEARS	34,734	32,764
LATER THAN FIVE YEARS	34,194	41,040
TOTAL	78,558	79,670

IFRS 9 - Financial Instruments: Published in July 2014, IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new provisions for the classification and measurement of financial instruments, a new model for expected losses for the calculation of impairment losses on financial assets and new general provisions for hedge accounting transactions. In addition, it includes provisions for the recognition and derecognition of financial instruments in keeping with the current IAS 39. IFRS 9 applies for fiscal years beginning on or after 1 January 2018. Early adoption is permitted.

Based on the evaluation conducted by the Group, we do not believe that the new classification criteria will have an immediate effect on the recognition of financial instruments, the impairment of financial assets or the recognition of hedges.

DOCUMENTS NOT YET APPROVED BY THE EUROPEAN UNION AS AT 31 DECEMBER 2017

We do not expect the following amendments to standards or interpretations to have a significant effect on the Group's consolidated financial statements:

Annual Improvements to IFRS (cycle 2014-2016) – amendments to IFRS 1 and IAS 28.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).

Transfers of Investment Property (Amendments to IAS 40).

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

IFRIC 22 Foreign Currency Transactions and Advance Consideration.

IFRIC 23 Uncertainty over Income Tax Treatments.

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION, INCOME STATEMENT AND STATEMENT OF CASH FLOWS

INCOME STATEMENT

6.1 NET REVENUES

The Parent Company's net revenue from sales and the provision of services as at 31 December 2017 and as at 31 December 2016 breaks down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
NET REVENUES FROM SALE OF GOODS	625,808	564,439	61,369
NET REVENUES FROM THE PROVISION OF SERVICES	13,708	14,465	(757)
TOTAL	639,515	578,904	60,611

Net revenues from sale of goods increased by 10.9% from Euro 564,439 thousand as at 31 December 2016 to Euro 625,808 thousand as at 31 December 2017. Net revenues from sales include all revenues for the sale of goods, expressed net of discounts provided to customers and returns.

The significant rise in net revenues from sales of goods in 2017 is mainly due to the upward trend in sales volumes, linked to the increase in the number of orders.

Revenues from the sale of goods are reported net of sales returns, amounting to Euro 210,330 thousand in 2017, or 32.9% of gross revenues in 2017 (revenues from the sale of goods before customer returns in 2017) and Euro 165,041 thousand in 2016, or 28.1% of gross revenues in 2016 (revenues from the sale of goods before customer returns in 2016). Returns are an inherent part of the Company's business activities, as a result of the protection afforded to consumers under remote-selling – and specifically e-commerce – regulations in force in the countries where the Company operates.

Revenues from the provision of services decreased from Euro 14,465 thousand in 2016 to Euro 13,708 thousand in 2017, down 5.2%, primarily including:

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

6.2 COST OF GOODS SOLD

The cost of goods sold amounts to Euro 503,137 thousand (78.7% of net revenues) for the period ending 31 December 2017 compared with Euro 445,229 thousand (76.9% of net revenues for 2016), an increase of Euro 57,909 thousand, with a 13% increase. The cost of goods sold includes costs deriving from the acquisition of goods for resale as well as costs for services and other costs.

The following table shows a breakdown of the cost of goods sold by nature:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
CHANGE IN INVENTORIES OF GOODS	83,447	4,160	79,288
PURCHASE OF GOODS	(527,892)	(401,611)	(126,281)
COST OF SERVICES	(51,692)	(42,610)	(9,083)
OTHER COSTS	(7,000)	(5,168)	(1,833)
TOTAL	(503,137)	(445,229)	(57,909)

Costs for the purchase of goods rose from Euro 401,611 thousand in 2016 to Euro 527,892 thousand in 2017, an increase of 31.4%. Costs for the purchase of goods include procurement costs for goods for resale, the absolute value of which is directly correlated with volumes.

The cost of services was up by 21.3%, from Euro 42,610 thousand in 2016 to Euro 51,692 thousand in 2017. A portion of the transportation costs is invoiced directly to the final customer and recognised as revenue from the provision of services, net of refunds on customer returns.

Other costs increased by 35.5%, from Euro 5,168 thousand in 2016 to Euro 7,000 thousand in 2017. These costs mainly comprise transportation costs for purchases, and the internal personnel costs and external supplier costs incurred to set-up and maintain the websites of Mono-brand Strategic Partners.

6.3 FULFILMENT COSTS

Fulfilment costs totalled Euro 66,142 thousand (10.3% of net revenues in 2017), compared with Euro 52,704 thousand (9.1% of net revenues in 2016), up Euro 13,438 thousand.

This cost comprises operational expenses incurred by digital production, cataloguing and quality control, by warehouse logistics, and by the department that provides direct services to customers, referred to as Customer Service.

The following table shows the breakdown of fulfilment costs:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
SERVICE COSTS AND OTHER COSTS	(49,972)	(41,247)	(8,725)
PERSONNEL EXPENSES	(10,840)	(6,808)	(4,032)
DEPRECIATION AND AMORTISATION	(5,330)	(4,650)	(680)
TOTAL	(66,142)	(52,704)	(13,438)

Service costs and other costs rose from Euro 41,247 thousand in 2016 to Euro 49,972 thousand in 2017, an increase of 21.2%. They mainly comprise service costs for handling and packaging goods and costs relating to outsourced production processes.

Personnel expenses rose from Euro 6,808 thousand in 2016 to Euro 10,840 thousand in 2017, with an increase of 59.2%, determined by the increase in the number of employees involved in this function, which increased from 175 at 31 December 2016 to 497 at 31 December 2017. The cost of the stock option plans and company incentive plans granted went from Euro 30 thousand in 2016 to Euro 57 thousand in 2017. Personnel expenses include the cost of employees as well as costs equivalent to personnel expenses relating to interns, contractors and consultants.

6.4 SALES AND MARKETING COSTS

Sales and marketing costs amounted to Euro 41,600 thousand (6.5% of revenues) for the period ending at 31 December 2017, compared with Euro 40,949 thousand (7.1% of revenues) for the period ending at 31 December 2016, up Euro 651 thousand.

These expenses relate to departments operating in sales. A portion of the costs are for personnel working in sales and marketing. The item also contains web marketing costs, costs for charges on credit card transactions and other methods of payment made to intermediaries for payment collection services, as well as expenses relating to customs duties on purchases relating to the import and export of goods sold.

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

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
SERVICE COSTS AND OTHER COSTS	(22,135)	(20,663)	(1,472)
PERSONNEL EXPENSES	(19,463)	(20,285)	822
DEPRECIATION AND AMORTISATION	(2)	(1)	(1)
TOTAL	(41,600)	(40,949)	(651)

Service costs and other costs rose from Euro 20,663 thousand in 2016 to Euro 22,135 thousand in 2017, an increase of 7.1%. The main components of the services costs incurred in 2017 refer to:

- marketing costs of EUR 16,663 thousand (EUR 13,861 thousand in 2016). These costs relate to the purchasing of online advertising, the negotiation and implementation of marketing agreements, the development of new partnerships and the commercial and technical management of existing partnerships, mainly for the Multi-brand business line;
- expenses for credit card transactions of Euro 5,430 thousand (Euro 4,447 thousand in 2016);

Personnel expenses decreased from Euro 20,285 thousand in 2016 to Euro 19,463 thousand in 2017, down 4.1% mainly as a result of the fall in the cost of the Stock Option Plans and company incentive Plans granted, which went from Euro 1,418 thousand in 2016 to Euro 697 thousand in 2017. Personnel expenses include the cost of employees as well as costs equivalent to personnel expenses relating to interns, contractors and consultants.

6.5 GENERAL EXPENSES

General expenses include all the overhead costs of the Parent's various offices pertaining to personnel management, administration, finance and control, communications and image, general management, general services and technological services.

The cost for general expenses amounted to Euro 107,569 thousand in 2017 compared with Euro 85,814 thousand in 2016, an increase of Euro 21,755 thousand.

General expenses can be broken down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
COST OF SERVICES	(32,858)	(25,830)	(7,028)
PERSONNEL EXPENSES	(32,294)	(28,976)	(3,318)
DEPRECIATION AND AMORTISATION	(42,417)	(31,008)	(11,409)
TOTAL	(107,569)	(85,814)	(21,755)

The cost of services grew by Euro 7,028 thousand from Euro 25,830 thousand in 2016 to Euro 32,858 thousand in 2017.

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Personnel expenses increased from Euro 28,976 thousand in 2016 to Euro 32,294 thousand in 2017, up 11.4% as a result of the increase from 572 as at 31 December 2016 to 678 as at 31 December 2017 in the number of employees working in that department. The cost of the Stock Option Plans and company incentive Plans granted went from Euro 8,847 thousand in 2016 to Euro 9,568 thousand in 2017.

Personnel expenses include the cost of employees as well as costs equivalent to personnel expenses relating to interns, contractors and consultants.

Depreciation and amortisation rose from Euro 31,008 thousand in 2016 to Euro 42,417 thousand in 2017, an increase of 36.8%.

6.6 OTHER INCOME AND EXPENSES

Other income and expenses showed income of Euro 176 thousand for the year ending on 31 December 2017, compared with expenses of Euro 6,011 thousand in 2016.

Other income and expenses can be broken down as follows:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
EXTRAORDINARY INCOME/LIABILITIES	(451)	(3,290)	2,839
THEFT AND LOSSES	(1,716)	(1,254)	(462)
OTHER TAX LIABILITIES	(293)	(454)	161
OTHER INCOME AND EXPENSES	2,966	(277)	3,243
PROVISIONS FOR SUNDRY RISKS	(455)	(352)	(103)
REIMBURSEMENTS	126	(384)	510
TOTAL	176	(6,011)	6,187

Extraordinary items had a negative balance of Euro 451 thousand (negative Euro 3,290 thousand as at 31 December 2016). The item includes income and expenses resulting from ordinary operating activities.

Theft and losses relates to the theft and losses of goods destined for final customers that have already occurred at year-end close, net of the relative insurance coverage.

Other tax liabilities moved from Euro 454 thousand in 2016 to Euro 293 thousand in 2017, a decrease of 35.5%.

Provisions for sundry risks in 2017 relate to the estimated charge incurred due to theft and loss of goods not identified as missing at the reporting date.

6.7 NON-RECURRING EXPENSES

Non-recurring expenses are associated with extraordinary transactions, which include primarily expenses for legal, tax, accounting, financial and strategic consulting services, as well as other general expenses connected with the relative extraordinary transactions. Both at 31 December 2017 and at 31 December 2016, this item had a zero balance.

6.8 OPERATING PROFIT

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

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
NET REVENUES	639,515	578,904	60,611
CHANGE IN INVENTORIES OF GOODS	83,447	4,160	79,288
PURCHASE OF GOODS	(527,892)	(401,611)	(126,281)
SERVICES	(151,034)	(130,350)	(20,684)
PERSONNEL EXPENSES	(62,597)	(56,069)	(6,528)
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(47,747)	(35,659)	(12,088)
OTHER COSTS AND REVENUES	(12,451)	(11,179)	(1,273)
OPERATING PROFIT	(78,758)	(51,803)	(26,954)

Operating profit went from negative Euro 51,803 thousand in 2016 to negative Euro 78,758 thousand in 2017, which amounted to a negative 8.9% of net revenues in 2016 compared with negative 12.3% in 2017.

Personnel expenses include all employment related expenses, such as merit pay rises, promotions, cost-of-living adjustments, variable remuneration for 2017, unused leave and accruals to legal reserves required under collective agreement, as well as related social security contributions and the contributions to the post-employment benefits for Parent employees. These costs also include the fair value of Stock Options and the company incentive Plan for employees, between the grant and vesting dates, with a direct matching entry in equity and payables to staff.

The headcount amounted to 1,529 resources at 31 December 2017 (1,074 at 31 December 2016). The breakdown of the headcount is as follows at year end³⁴:

DESCRIPTION	31/12/2017	31/12/2016
MANAGERS	38	38
JUNIOR MANAGERS	115	89
OFFICE WORKERS	1,376	947
TOTAL	1,529	1,074

As can be seen above, at the end of 2017 the headcount increased by roughly 42.4% compared with the previous year.

6.9 RESULT OF EQUITY INVESTMENTS

As at 31 December 2017, income from equity investments totalled Euro 2,949 thousand due to the combined impact of the valuation of the equity investment in the associated company (Euro 262 thousand) and dividends paid by the subsidiary YOOX Asia Limited (Euro 2,687 thousand).

6.10 FINANCIAL INCOME AND EXPENSES

Financial income went from Euro 5,988 thousand in 2016 to Euro 3,859 thousand in 2017.

³⁴ The headcount does not include the Chief Executive Officer of YOOX S.p.A., interns or associates not employed by the Parent.

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The following table shows the breakdown of financial income:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
EXCHANGE RATE GAINS	3,425	4,613	(1,188)
INTEREST INCOME	186	1,119	(932)
OTHER FINANCIAL INCOME	247	256	(9)
TOTAL	3,859	5,988	(2,129)

Exchange rate gains rose from Euro 4,613 thousand in 2016 to Euro 3,425 thousand in 2017 and are primarily linked to the translation of items in US dollars and Japanese yen. They are strictly linked to the ordinary sale and purchase of goods.

Interest income went from Euro 1,119 thousand in 2016 to Euro 186 thousand in 2017.

Financial expenses went from Euro 12,674 thousand in 2016 to Euro 14,363 thousand in 2017.

The following table shows the breakdown of financial expenses:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
EXCHANGE RATE LOSSES	(8,199)	(9,149)	950
INTEREST EXPENSES	(1,844)	(1,676)	(169)
OTHER FINANCIAL EXPENSES	(4,319)	(1,849)	(2,470)
TOTAL	(14,363)	(12,674)	(1,689)

Realised and unrealised exchange rate losses totalled Euro 9,149 thousand in 2016 and Euro 8,199 thousand in 2017. They mainly relate to the translation of items in US dollars and Japanese yen and are strictly related to the ordinary sale and purchase of goods.

Interest expense went from Euro 1,676 thousand in 2016 to Euro 1,844 thousand during the year.

Other financial expenses went from Euro 1,849 thousand in 2016 to Euro 4,319 thousand in 2017. These expenses were related to the issuance of sureties by credit institutions to third parties on the Group's behalf. This item also includes premiums paid for exchange rate risk hedging agreements, as well as the recognition of their Fair Value.

6.11 TAXES

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

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
CURRENT CORPORATE INCOME TAX (IRES) (1)	-	-	-
CURRENT REGIONAL INCOME TAX (IRAP) (2)	-	-	-
DEFERRED TAXES	16,608	10,997	5,611
TOTAL	16,608	10,997	5,611

(1) IRES: Imposta sul Reddito delle Società (Corporate or Company Tax).

(2) IRAP: Imposta Regionale sulle Attività Produttive (Regional Tax on Production Activities).

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The Parent Company also recognised deferred tax assets totalling Euro 16,709 thousand and deferred tax liabilities of Euro 101 thousand. Deferred tax assets of Euro 9,987 thousand and deferred tax liabilities of Euro 71 thousand that were recognised in 2016 were also reversed.

The following table shows the reconciliation between theoretical taxes calculated at the tax rate in effect in Italy and the taxes recognised in the separate financial statements:

(THOUSANDS OF EUROS)	31 DECEMBER 2017	31 DECEMBER 2016
PROFIT BEFORE TAX	(86,313)	(54,918)
RATE	24%	27.50%
THEORETICAL TAX	(20,715)	(15,102)
EFFECTIVE TAX	(16,608)	-
DIFFERENCE	(4,107)	15,102
IRAP	-	-
PERMANENT TAXES	-	-
USE OF TAX LOSSES CARRIED FORWARD	-	-
DEFERRED TAXES	16,608	15,102
TOTAL DIFFERENCE	16,608	15,102

6.12 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share are calculated on the basis of the Group's operating performance given in Note 8.12 of the consolidated financial statements, which should be referred to.

STATEMENT OF FINANCIAL POSITION

6.13 PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2017, property, plant and equipment totalled Euro 90,786 thousand. The following is a summary of changes therein in 2017:

DESCRIPTION	HISTORICAL COST AS AT 31/12/2016	INCREASES	DECREASES	HISTORICAL COST AS AT 31/12/2017	ACC. AMORTISATION AS AT 31/12/2016	AMORTISATION AS AT 31/12/2017	UTILISATION	ACC. AMORTISATION AS AT 31/12/2017	NET CARRYING AMOUNT AS AT 31/12/2016	NET CARRYING AMOUNT AS AT 31/12/2017
PLANT AND EQUIPMENT	54,390	4,224	(34)	58,579	(23,693)	(3,233)	32	(26,893)	30,697	31,686
BUILDINGS	10,188	994	-	11,181	(7,832)	(1,269)	-	(9,101)	2,355	2,080
LEASEHOLD IMPROVEMENTS	10,188	994	-	11,181	(7,832)	(1,269)	-	(9,101)	2,355	2,080
INDUSTRIAL AND COMMERCIAL EQUIPMENT	4,754	1,248	(172)	5,829	(2,865)	(820)	158	(3,527)	1,889	2,303
OTHER ASSETS	32,124	9,238	(1,090)	40,271	(15,084)	(6,535)	934	(20,685)	17,040	19,586
FURNITURE AND FURNISHINGS	2,196	381	(66)	2,511	(1,815)	(354)	61	(2,108)	381	403
ELECTRONIC EQUIPMENT	29,809	8,857	(1,024)	37,641	(13,150)	(6,181)	873	(18,458)	16,659	19,183
OTHER TANG. ASSETS	119	-	-	119	(119)	-	-	(119)	-	-
ASSETS UNDER CONSTRUCTION AND PAYMENTS ON ACCOUNT	8,111	28,248	(1,228)	35,131	-	-	-	-	8,111	35,131
GENERAL TOTAL	109,566	43,951	(2,524)	150,992	(49,473)	(11,857)	1,124	(60,206)	60,093	90,786

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The overall net increase in property, plant and equipment in 2017 amounted to Euro 30,693 thousand.

Capital expenditures mainly entailed investments in the highly automated technical and logistical platform. The Company has been investing in the project since the fourth quarter of 2010 that during the year led to the development of the logistical centre in Landriano (PV) and the expansion of the logistical centre in Bentivoglio (BO). These investments were mainly posted to assets under construction (Euro 35,131 thousand).

This involved an increase in the item "Plant and equipment" of Euro 4,224 thousand as well as the item "Buildings" in an amount equal to Euro 994 thousand, and in the item "Equipment" in the amount of Euro 1,248 thousand.

The total increase in "Other Assets", amounting to Euro 9,238 thousand, is due to the combined effect of the investment in new servers, PCs and monitors, also held under finance leases, for an increase of Euro 8,857 thousand, and investments made in furniture as regards the remainder.

Depreciation during the year totalled Euro 11,857 thousand.

As at 31 December 2017, there were no liens or encumbrances on YOOX NET-A-PORTER GROUP S.p.A. property, plant and equipment.

Moreover, no impairment losses or revaluations were carried out on items of property, plant and equipment in 2017. In the period under review, no financial expenses were ascribed to asset entries in the statement of financial position.

6.14 INTANGIBLE ASSETS WITH FINITE USEFUL LIFE

Intangible assets amounted to Euro 159,678 thousand as at 31 December 2017.

The following is a summary of changes in intangible assets with finite useful life in 2017:

DESCRIPTION	HISTORICAL COST	INCREASES	DECREASES	HISTORICAL COST	ACC. AMORTISATION	AMORTISATION USES	ACC. AMORTISATION	AS AT 31/12/2017	NET CARRYING AMOUNT AS AT 31/12/2016	NET CARRYING AMOUNT AS AT 31/12/2017
	AS AT 31/12/2016			AS AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017	AS AT 31/12/2016	AS AT 31/12/2017
DEVELOPMENT COSTS	114,530	46,912	-	161,442	(71,699)	(28,613)	-	(100,312)	42,831	61,129
SOFTWARE AND LICENCES	24,141	6,759	-	30,901	(15,167)	(7,247)	-	(22,414)	8,975	8,487
BRANDS AND OTHER RIGHTS	378	83	-	461	(284)	(32)	-	(316)	95	145
TRADEMARKS AND PATENTS	378	83	-	461	(284)	(32)	-	(316)	95	145
ASSETS UNDER DEVELOPMENT	40,081	68,961	(19,124)	89,918	-	-	-	-	40,081	89,918
OTHER	1,839	-	(10)	1,829	(1,839)	-	10	(1,829)	-	-
OTHER INTANGIBLE ASSETS	1,839	-	(10)	1,829	(1,839)	-	10	(1,829)	-	-
GENERAL TOTAL	180,969	122,714	(19,134)	284,550	(88,988)	(35,892)	10	(124,871)	91,981	159,678

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

Development costs

In 2017, this item increased by Euro 46,912 thousand. The Company made significant long-term investments in multi-year development projects for a total amount of Euro 96,749 thousand (including Euro 68,961 thousand in assets under construction).

These are costs incurred by YOOX NET-A-PORTER GROUP S.p.A. for specific projects aimed at the ongoing development of innovative solutions for the creation and management of online stores. The development projects were categorised on the basis of the issue for which the various procedures were carried out: development of e-commerce platform functionality, operational development of productivity, and development of security and continuity of service.

These costs relate both to internal personnel expenses and to the costs of services provided by third parties.

In line with the strategy defined to support the process of integrating with THE NET-A-PORTER GROUP, the number of development projects outsourced to external suppliers increased significantly. Expenses for research-related activities, which are carried out with a view to obtain 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 6,759 thousand in this item includes expenditures with long-term benefits, principally relating to the acquisition of software licences to build the infrastructure of the Online Stores and the development of the new OMS (Order Management System).

Assets under development and payments on account

Not all projects under development in 2017 were completed by 31 December 2017. These totalled Euro 89,918 thousand and were due to IT and integration developments that have not been completed.

The amortisation for intangible assets with an indefinite useful life stood at Euro 35,882 thousand for the year.

6.15 INVESTMENTS IN SUBSIDIARIES

The equity investments of YOOX NET-A-PORTER GROUP S.p.A. in subsidiaries as at 31 December 2017 were as follows:

- YNAP Corporation, formed in 2002 to manage sales activities in North America;
- YOOX Japan, formed in 2004 to manage sales activities in Japan;
- Mishang Trading (Shanghai) Co. Ltd established in the fourth quarter of 2010 to manage sales in China;
- YOOX Asia Limited established in the second quarter of 2011 to manage sales in the Asia-Pacific area.
- Largentia Limited, a company subject to UK law, which holds the controlling interest in THE NET-A-PORTER GROUP.

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COMPANY (THOUSANDS OF EUROS)	REGISTERED OFFICES	CARRYING AMOUNT OF SUBSIDIARIES AS AT 31/12/2017	SHARE CAPITAL AS AT 31/12/2017	PERCENTAGE HELD AT 31/12/2017	EQUITY AS AT 31/12/2017 AND MEASUREMENT USING THE EQUITY METHOD	2017 NET INCOME
YNAP CORPORATION	100 FIFTH AVENUE, 12TH FLOOR, NEW YORK, NY, 10011	1,133	3	100% (*)	95,467	3,894
YOOX JAPAN	4F OAK OMOTESANDO, 3- 6-1 KITA-AOYAMA, MINATO-KU TOKYO 107- 0061	83	75	100%	8,589	1,301
MISHANG TRADING (SHANGHAI) CO. LTD	FLOOR 6, DONGLONG BUILDING NO 223 XIKANG ROAD, JING'AN DISTRICT 200050 SHANGHAI	6,000	6,000	100%	(9,546)	(4,444)
YOOX ASIA LIMITED	UNIT 2702 27/F, THE CENTRIUM, 60 WYNDHAM STREET CENTRAL, HONG KONG (CN)	91	91	100%	6,525	6,832
LARGENTA LTD	1 THE VILLAGE OFFICES, WESTFIELD, ARIEL WAY, LONDON, UK	1,853,960	463,209	100%	461,855	-
TOTAL CARRYING AMOUNT OF INVESTMENTS		1,861,266				

(*) On 30 September 2016 the merger by incorporation was concluded of THE NET-A-PORTER GROUP LLC (a company wholly-owned by THE NET-A-PORTER GROUP Limited via NAP International Ltd and part of the Largentia Group, bought on 5 October 2015 by the YOOX Net-A-Porter Group), in the capacity of the acquired company, into YOOX Corporation (the company under the direct control of YNAP S.p.A. which owns the entire share capital) as the acquiring company, with effect from 1 October 2016.

The company resulting from the merger, later renamed YNAP Corporation, is, in accordance with the provisions of IFRS 10, under the dominant influence of YNAP S.p.A., which exercises direct control over 29.2% of the share capital and indirect control over the remaining 70.8% through the investment in the Largentia Group. This investment is therefore presented under Investments in subsidiaries in the YNAP S.p.A. financial statements.

In light of the substantial correspondence between the value of the investment in Largentia Limited and the value of the assets acquired in THE NET-A-PORTER GROUP acquisition, a unitary impairment test was carried out at consolidated level to check for the recoverability of the carrying value of the investment recognised in the separate financial statements of Yoox Net-A-Porter S.p.A. in Largentia Limited, a UK special purpose vehicle which has full control over THE NET-A-PORTER GROUP, as well as the recoverability of the goodwill arising in the YNAP consolidated financial statements from that acquisition. As a result, it should be kept in mind that the impairment test carried out at consolidated level also provides information about potential losses in value in terms of the separate financial statements, and therefore in order to check for the maintenance of the value of the investment in Largentia Limited.

An impairment test was also carried out in order to verify the recoverability of the book value of Mishang Trading Shanghai Co Ltd.

The results of the impairment test did not indicate that any impairment will apply.

6.16 INVESTMENTS IN ASSOCIATED COMPANIES

The non-current item as at 31 December 2017 stood at Euro 963 thousand.

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
INVESTMENTS IN ASSOCIATED COMPANIES	963	701	262
TOTAL	963	701	262

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As at 31 December 2017, the carrying amount was brought into line with the fair value identified as the percentage of ownership (49%) of the equity of the investee (positive Euro 963 thousand).

INVESTMENT	END OF YEAR DATE	OWNERSHIP %	INVESTMENT	INVESTMENT PROFIT/(LOSS)	EQUITY	SHARE OF PROFIT/(LOSS)
E_LITE S.P.A.	31 DECEMBER	49%	963	631	1,965	309
TOTAL	-	-	963	631	1,965	309

The difference between the revaluation of equity (Euro 262 thousand) and the percentage of profit for the year (Euro 309 thousand) was due to the change in equity related to the translation reserve equal to negative Euro 47 thousand.

6.17 DEFERRED TAX ASSETS

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
DEFERRED TAX ASSETS	38,035	21,629	16,406
TOTAL	38,035	21,629	16,406

Changes in deferred tax assets during 2017 are shown in the following table:

DESCRIPTION	BALANCE AS AT 31/12/2016	INCREASES	UTILISATION	BALANCE AS AT 31/12/2017
DEFERRED TAX ASSETS	21,629	37,841	(21,435)	38,035
TOTAL	21,629	37,841	(21,435)	38,035

The following table shows a breakdown of deferred tax assets as at 31 December 2017:

DESCRIPTION OF TAXABLE ITEM	BALANCE AS AT 31/12/2017	2017 TAX RATE	TAX RECORDED IN 2017
INDEPENDENT AUDITORS' FEES	1,101	24.0%	264
PROVISIONS	28,476	OTHER%	6,855
UNISSUED CREDIT NOTES	3,165	27.9%	883
UNREALISED EXCHANGE RATE LOSSES	1,758	24.0%	422
UNPAID REMUNERATION OF DIRECTORS	672	24.0%	161
MERGER ANCILLARY COSTS	6,607	24.0%	1,586
FAIR VALUE DERIVATIVES	799	24.0%	192
TAX LOSS 2016	113,078	24.0%	27,139
CAPITAL INCREASE	997	24.0%	246
SUPER DEPRECIATION	220	24.0%	53
OTHER ITEMS	977	24.0%	235
TOTAL	157,851	-	38,035

Deferred tax assets rose by 76% from Euro 21,629 thousand as at 31 December 2016 to Euro 38,035 thousand as at 31 December 2017.

Deferred tax assets as at 31 December 2017 were recognised in relation to:

- the taxed allowance for impairment;
- the provisions for obsolete inventories;
- the provisions for risks and charges (provisions for disputes, provisions for fraud and provisions for theft and loss, respectively);
- unissued and non-deductible credit notes;
- fair value of derivatives;
- unrealised exchange rate losses;
- merger-related ancillary costs;
- independent auditors' fees;
- the tax loss carried forward to subsequent years;
- capital increase costs;
- super depreciation (Law no. 208 of 28 December 2015).

6.18 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets as at 31 December 2017 stood at a total of Euro 237 thousand (Euro 146 thousand as at 31 December 2016):

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
GUARANTEE DEPOSITS	237	146	91
TOTAL	237	146	91

Guarantee deposits as at 31 December 2017 relate to rental agreements and administration contracts for gas and energy services. Other non-current financial assets are due to be repaid in more than five years' time.

6.19 INVENTORIES

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
INVENTORIES	321,072	235,181	85,891
TOTAL	321,072	235,181	85,891

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The following is a breakdown of inventories as at 31 December 2017:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
INVENTORIES OF RAW MATERIALS, CONSUMABLES AND SUPPLIES	1,810	1,428	382
TOTAL	1,810	1,428	382
FINISHED PRODUCTS AND GOODS	346,304	248,297	98,007
PROVISION FOR OBSOLETE FINISHED PRODUCTS AND GOODS	(27,042)	(14,544)	(12,498)
TOTAL	319,262	233,753	85,509
TOTAL NET INVENTORIES	321,072	235,181	85,891

Inventories rose by 36.5% from Euro 235,181 thousand as at 31 December 2016 to Euro 321,072 thousand as at 31 December 2017, and relate to goods that have been purchased for subsequent resale online.

The observable inherent increase was only partially related to revenue growth in 2017. In fact, the Parent Company's business model calls for the procurement of merchandise in advance, which can affect the year before the sale season.

Goods from previous collections and/or obsolete goods are written down with a provision for obsolete inventories, calculated using the estimated realisable value of the goods. This estimate of realisable values also takes into account the expected effects of new sales policies.

The amount of the provision in 2017 for obsolete inventories and changes in the provision are shown below:

DESCRIPTION	BALANCE AS AT 31/12/2016	INCREASES	DECREASES	BALANCE AS AT 31/12/2017
PROVISION FOR OBSOLETE INVENTORIES	(14,544)	(12,498)	-	(27,042)
TOTAL	(14,544)	(12,498)	-	(27,042)

The provision for obsolete inventories reflected in the financial statements has a carrying amount deemed appropriate for the actual quantities of obsolete or slow-moving goods on hand. During the year it was readjusted to reflect the current estimate of salvage values.

6.20 TRADE RECEIVABLES

The breakdown of trade receivables as at 31 December 2017 and as at 31 December 2016 is as follows:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
DUE FROM CUSTOMERS	8,978	4,087	4,891
OTHER TRADE RECEIVABLES	2,655	6,949	(4,294)
DUE FROM FOREIGN SUBSIDIARIES	99,426	59,311	40,115
ALLOWANCE FOR IMPAIRMENT	(132)	(132)	-
TOTAL	110,927	70,215	40,712

The receivables due from customers are fully recoverable within 12 months and relate to trade receivables for the sale of goods to individuals.

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Other trade receivables mainly relate to receivables from Online Stores, chiefly for the provision of services. This item includes, among other things, services which refer to set-up fees incurred by the Group in relation to Strategic Partners for the design and implementation activities the Group carries out for online stores.

The table below shows changes in the allowance for impairment in 2017:

DESCRIPTION	BALANCE AS AT 31/12/2016	INCREASES	DECREASES	BALANCE AS AT 31/12/2017
ALLOWANCE FOR IMPAIRMENT	(132)	-	-	(132)
TOTAL	(132)	-	-	(132)

The allowance for impairment covers specific risks relating to unpaid receivables and other receivables not considered recoverable. Provisions made in various periods adjust the receivables to their estimated realisable value, but in 2017 it was not necessary to make further allocations to the allowance for impairment since it was considered sufficient.

6.21 OTHER CURRENT ASSETS

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
OTHER CURRENT ASSETS	19,894	24,021	(4,127)
TOTAL	19,894	24,021	(4,127)

The following is a breakdown of other current assets as at 31 December 2017:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
OTHER RECEIVABLES	331	835	(504)
ALLOWANCE FOR IMPAIRMENT – RECEIVABLES FROM OTHERS	-	(221)	221
ADVANCES TO SUPPLIERS	469	20	449
ADVANCES TO EMPLOYEES	59	14	44
RECEIVABLES FROM ACQUIRERS	-	-	-
PREPAYMENTS AND ACCRUED INCOME	12,950	10,844	2,105
TAX RECEIVABLES	5,965	10,821	(4,856)
FINANCIAL RECEIVABLES FROM SUBSIDIARIES	120	1,708	(1,588)
TOTAL	19,894	24,021	(4,127)

“Other receivables” includes:

- mainly credit notes received from suppliers for which the latter must still refund money to the Company and from advance payments to the supplier for the purchase of goods for which the corresponding invoices have not yet been received (e.g. payments on order, prepayments).

Advances to employees include debt to employees for solidarity contributions, already cashed by the company in January 2018.

The item advances to suppliers shows the advances made to suppliers for services acquired in 2017 and for which the suppliers have yet to provide the service.

The "Prepayments" item mainly comprises costs relating to future periods but incurred in 2017. These mainly involve software licence fees, insurance costs, leasing costs, prepaid royalties for using brands and prepayments for professional consulting fees; the increase compared with 2016 is consistent with the increase in business volumes.

6.22 CASH AND CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS

The breakdown of the item "Cash and cash equivalents" as at 31 December 2017 is as follows:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
BANK AND POSTAL ACCOUNTS	39,910	58,473	(18,562)
CASH AND CASH EQUIVALENTS ON HAND	9	7	2
TOTAL	39,919	58,480	(15,560)

The balance, entirely denominated in Euro except where expressly indicated, represents the cash and cash equivalents on hand at year end.

The following is a breakdown of current financial assets as at 31 December 2017:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
DUE FROM ACQUIRERS	9,480	3,994	5,486
INVESTMENTS	10,722	10,475	247
DUE FROM SUBSIDIARIES	4,464	-	4,464
PREPAYMENTS AND ACCRUALS	612	1,935	(1,323)
TOTAL	25,278	16,404	8,874

Current financial assets, equal to Euro 25,278 thousand, relate to receivables from acquirers, receivables from interest-bearing deposits, and the portion of financial expenses relating to future periods.

6.23 EQUITY

The breakdown of changes in equity as at 31 December

The share capital of Euro 1,339,762.93 at 31 December 2017 (Euro 1,337,413.05 at 31 December 2016) increased over the course of 2017 following the capital increase deriving from the exercise of stock options by the beneficiaries in question.

The reserves are composed as follows:

- the share premium reserve was Euro 2,022,194 thousand as at 31 December 2017 (Euro 2,041,058 thousand as at 31 December 2016); this reserve increased over the course of the year following the exercise of stock options by their beneficiaries worth Euro 298 thousand. We also note that following the approval of the 2016 loss, the use of Euro 19,162 thousand from this reserve to cover the loss was approved;
- the legal reserve, which totalled Euro 267 thousand as at 31 December 2017 (Euro 260 thousand as at 31 December 2016), consists of accruals of 5% of Parent Company profits every year. Over the year, following the Board of Directors' resolution, this was increased by Euro 7 thousand;
- the purchase of treasury shares, with a negative balance of Euro 162 thousand, is recorded as a direct decrease in shareholders' equity in compliance with the provisions of IAS 32;

- other reserves, equal to Euro 46,949 thousand as at 31 December 2017 (Euro 33,447 thousand as at 31 December 2016) include the reserve for the fair value measurement of the stock options, equal to Euro 47,050 thousand as at 31 December 2017 (Euro 34,331 thousand as at 31 December 2016), the cash flow hedge reserve, equal to a negative amount of Euro 35 thousand (a negative amount of Euro 824 thousand as at 31 December 2016), and the reserve for actuarial gains and losses from the measurement of post-employment benefits, a negative figure in the amount of Euro 66 thousand (Euro 60 thousand as at 31 December 2016);
- retained earnings (losses carried forward) stood at zero as at 31 December 2017 (Euro 24,766 thousand as at 31 December 2016) due to the allocation of the loss for 2016.

6.24 STOCK OPTION PLANS AND COMPANY INCENTIVE PLANS

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

On 27 April 2012, pursuant to Article 114-bis of Legislative Decree 58/1998, the Shareholders' Meeting approved the establishment of an incentive and loyalty plan known as the "Stock Grant Plan" for employees of the Issuer and companies directly or indirectly controlled by it, to be implemented through the granting, free of charge, of a total of 550,000 of the Company's ordinary shares, giving the Board of Directors the mandate to adopt the relevant regulations. As at the date of the document, the plan had not been implemented.

On 16 December 2015, the Extraordinary General Meeting, pursuant to Article 114-bis of Legislative Decree 58/1998, approved a new incentive and loyalty scheme known as the "2015-2025 Stock Option Plan" reserved for directors, executives and employees of YNAP and companies directly or indirectly controlled by it, to be implemented through the free granting of options valid for subscribing new issue YNAP ordinary shares.

The Plan provides for the issue of up to 6,906,133 new YNAP ordinary shares, with no indication of nominal value, with the same characteristics as those outstanding and with regular dividend rights.

On the same date, the Board of Directors also approved the Plan Regulation.

Share capital increases to service Stock Option Plans

On 16 December 2015, the extraordinary shareholders' meeting approved the capital increase servicing the "2015-2025 Stock Option Plan", for a maximum nominal amount of Euro 69,061.33 through a capital contribution in one or more tranches, pursuant to article 2441, paragraphs 5 and 6 of the Italian Civil Code, and therefore with the exclusion of option rights, by issuing a maximum of 6,906,133 new YNAP ordinary shares, with no indication of nominal value, with the same characteristics as those outstanding and with regular dividend rights.

The deadline for subscription to the capital increase has been set as 31 December 2025, with the provision that if the capital increase has not been fully subscribed by this deadline, the share capital shall, pursuant to article 2439, paragraph 2 of the Italian Civil Code, be deemed to be increased by an amount equal to the subscriptions received up to that moment and with effect from that moment, provided that these resolutions have been filed with the Register of Companies.

Granting of Stock Options

It should be noted that, following approval of the share-split at the Extraordinary Shareholders' Meeting of the Parent Company on 8 September 2009, beneficiaries of Stock Option Plans, except for the "2015-2025 Stock Option Plan", exercising their options will be entitled to 52 ordinary shares of the Company for every option exercised. The "2015-2025 Stock Option Plan" calls for a ratio of one share for every option exercised.

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With reference to the following Stock Option Plans reserved for employees, associates, consultants and directors of the Company and its subsidiaries, as at 31 December 2017 the Board of Directors had granted the following options, outlined in the table below:

STOCK OPTION PLANS	GRANTED (A)	EXPIRED (B)	EXERCISED (C)	TOTAL GRANTED NOT EXPIRED OR NOT EXERCISED (D = A-B-C)	GRANTED, NOT VESTED	GRANTED, VESTED, NOT EXERCISABLE	GRANTED, VESTED AND EXERCISABLE
2001 – 2003	80,575	31,560	49,015	0	0	0	0
2003 – 2005	36,760	3,000	33,760	0	0	0	0
2004 – 2006	32,319	12,650	19,669	0	0	0	0
2006 – 2008	31,303	200	27,467	3,636	0	0	3,636
2007 – 2012	102,600	3,650	88,639	10,311	0	0	10,311
2009 – 2014	94,448	24,599	69,849	0	0	0	0
TOTAL	378,005	75,659	288,399	13,947	0	0	13,947

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

STRIKE PRICES IN EUROS	59.17	106.50	TOTAL OPTIONS	TOTAL SHARES
2006-2008	3,636	0	3,636	189,072
2007-2012	9,811	500	10,311	536,572
TOTAL	13,447	500	13,947	725,644

With reference to the “2015-2025 Stock Option Plans” reserved for employees, managers and directors of the Company and its direct or indirect subsidiaries, as at 31 December 2017 the Board of Directors had been granted the following options by the Board of Directors, outlined in the table below:

STOCK OPTION PLAN	GRANTED (A)	EXPIRED (B)	EXERCISED (C)	TOTAL GRANTED, NOT EXPIRED OR NOT EXERCISED (D = A-B-C)	GRANTED, NOT VESTED	GRANTED, VESTED, NOT EXERCISABLE	GRANTED, VESTED AND EXERCISABLE
2015 – 2025	7,621,147	1,326,000	0	6,295,147	6,295,147	0	0
TOTAL	7,621,147	1,326,000	0	6,295,147	6,295,147	0	0

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

In accordance with the provisions of the Plan, the subscription price of each share corresponds to the arithmetic mean of official prices registered for ordinary shares of YNAP on the Electronic Stock Exchange, on days the market is open for trading in the period between the Option Grant Date and the date on which the Options are assigned in the previous calendar month.

STRIKE PRICE FOR THE PERIOD	€ 22.03	€23.61	€24.64	€25.98	€26.97	€28.96	€32.47	€32.69	TOTAL OPTIONS	TOTAL SHARES
2015 – 2025	580,000	90,000	72,000	540,000	92,000	192,000	4,649,147	80,000	6,295,147	6,295,147
TOTAL	580,000	90,000	72,000	540,000	92,000	192,000	4,649,147	80,000	6,295,147	6,295,147

Specifically, during 2017, the Company allocated:

- on 18 April 2017, the granting to 38 beneficiaries of 610,000 options valid for the subscription of 610,000 YNAP shares;
- on 21 June 2017, the granting to 2 beneficiaries of 72,000 options valid for the subscription of 72,000 YNAP ordinary shares;
- on 8 November 2017, the granting to 1 beneficiary of 80,000 options valid for the subscription of 80,000 YNAP ordinary shares;
- on 18 December 2017, the granting to 2 beneficiaries of 192,000 options valid for the subscription of 192,000 YNAP ordinary shares.

For more information regarding the main characteristics of the Plan, please refer to the Prospectus issued pursuant to Article 84-bis of Consob Regulation 11971/1999 (as updated on 06 March 2018, available on the Company's website www.ynap.com (Governance Section - Documents, Principles and Procedures - Corporate Documents)).

6.25 MEDIUM/LONG-TERM FINANCIAL LIABILITIES – BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES

Bank loans and other financial liabilities stood at EUR 226,679 thousand, an increase of EUR 111,415 thousand compared with 31 December 2016 (EUR 115,264 thousand).

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
MEDIUM/LONG-TERM FINANCIAL LIABILITIES	156,410	98,810	57,600
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	70,270	16,454	53,816
TOTAL	226,679	115,264	111,416

The following table shows the breakdown of debt as at 31 December 2017:

LENDING INSTITUTION	REMAINING AMOUNT	RATE	SHORT-TERM PORTION	MEDIUM/LONG- TERM PORTION
BANCA INTESA	70,000	EURIBOR + 0.85%	20,006	49,994
BNL - BNP PARIBAS GROUP	55,000	EURIBOR + 0.85%	15,719	39,281
UNICREDIT	75,000	EURIBOR + 0.85%	21,435	53,565
EIB	18,246	FIX (AVG 1.66%)	9,081	9,165
FINANCE LEASES	8,433	FIXED	4,028	4,405
TOTAL	226,679		70,270	156,410

The summarised details of loan agreements and lines of credit stipulated in 2017 are given below:

Syndicated loans

On 21 July 2017, Tranche B of the syndicated loan signed on 4 August 2016 was disbursed.

Following this disbursement of Euro 125,000 thousand, the syndicated loan was fully utilised in an amount totalling Euro 200,000 thousand. The first principal payment will be repaid as of 30 June 2018 and then half-yearly.

The syndicate includes UniCredit Bank AG (agent bank), plus the lending banks Banca Nazionale del Lavoro S.p.A. (Euro 55,000 thousand), Mediocredito Italiano S.p.A., a member of the Intesa Sanpaolo group (Euro 70,000 thousand) and UniCredit S.p.A (Euro 75,000 thousand).

The interest rate is equal to the annual percentage resulting from the sum of Euribor for each interest period (subject to market fluctuations) and a margin of 0.85%. However, the interest rate may not go below 0%.

To protect itself against rising interest rates, the company signed IRS derivative financial instruments with the lending banks to hedge the entire amount lent.

For the entire term of the loan, the company must comply with current financial covenants reported on 30 June and 31 December of each calendar year starting with the reference date of 31 December 2016.

COMMITMENTS OF A FINANCIAL NATURE (COVENANTS)

The Company, including for the purposes of article 1461 of the Italian Civil Code, recognises the essential nature of complying with the financial parameters, in accordance with the consolidated financial statements in the name of YOOX NET-A-PORTER GROUP S.p.A., accepting that the "Bank" can terminate the contracts if the financial situation recorded in the consolidated financial statements does not comply with any one of these parameters.

Below are the financial parameters for the loan agreed with Banca Nazionale del Lavoro, UniCredit and Banca Intesa:

- 1) the ratio between the Net Financial Position and EBITDA including the incentive plans must not be more than 2.5 until the total loan repayment;
- 2) the ratio between the net financial position and shareholders' equity must not be more than 1 times the total loan repayment.

The finance parameter for the loan taken out with the European Investment Bank is also provided:

- 1) the ratio between the net financial position and EBITDA excluding the incentive plans must not be more than 2.0 times the total loan repayment;
- 2) the ratio between the net financial position and shareholders' equity must not be more than 0.8 times the total loan repayment.

YOOX NET-A-PORTER GROUP S.p.A. notifies the "Banks" of the above financial parameters on a half-yearly basis, on 30 June and 31 December every year until the due date.

If any one of the above covenants is not complied with, YOOX NET-A-PORTER GROUP S.p.A., without prejudice to the right of the "Bank" to terminate the agreement, undertakes to reach an agreement with the "Bank", within 30 business days of the request, over the financial and management measures necessary to ensure that the covenants in question fall within the terms set, or, alternatively, to repay the loan in advance on the due date of the interest period in progress.

In relation to the aforementioned financing agreed, it should be noted that as at 31 December 2017, just as at 31 December 2016, the aforementioned financial parameters were complied with by the Group.

As at 31 December 2017, financing with other credit institutions is not governed by compliance with parameters of a financial and commercial nature.

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Net financial position

The table below gives a breakdown of net financial position as at 31 December 2017:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
CASH AND CASH EQUIVALENTS	39,919	58,480	(18,561)
CURRENT FINANCIAL ASSETS	25,278	16,404	8,874
OTHER CURRENT FINANCIAL ASSETS	753	672	81
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	(70,270)	(16,454)	(53,816)
OTHER CURRENT FINANCIAL LIABILITIES	(799)	(1,809)	1,010
CURRENT NET FINANCIAL POSITION	(5,118)	57,293	(62,412)
MEDIUM/LONG-TERM FINANCIAL LIABILITIES	(156,410)	(98,810)	(57,600)
NET FINANCIAL POSITION³⁵	(161,528)	(41,517)	(120,012)

In 2017, the Parent Company's net financial position declined by Euro 120,012 thousand, from negative Euro 41,517 thousand as at 31 December 2016 to negative Euro 161,528 thousand as at 31 December 2017.

6.26 EMPLOYEE BENEFITS

This item refers exclusively to the post-employment benefits recorded by the Parent Company in accordance with current legislation. Changes in defined benefit plans for employees in 2017 are summarised below:

DESCRIPTION	BALANCE AS AT 31 DECEMBER 2016	PROVISIONS	UTILISATION	BALANCE AS AT 31 DECEMBER 2017
EMPLOYEE BENEFITS	153	8	(2)	160
TOTAL	153	8	(2)	160

³⁵ Net debt (or net financial position) is the sum of cash and cash equivalents, other current financial assets, net of bank loans and other financial liabilities falling due within one year, other current financial liabilities, and medium/long-term financial liabilities. Net financial debt (or net financial position) is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union. The measurement criterion adopted by the Company might not be consistent with that adopted by other groups and, accordingly, the balance obtained by the Company may not be comparable with those calculated by such groups. For details of the items that make up net financial debt (or net financial position), see the table above in the section "Net financial position". "Other current financial assets" are not regulated in detail in the definition of net financial debt (or net financial position) of the CESR; The Group believes this definition should be integrated including claims vs. acquirers and logistics operators from whom cash on delivery is required under "Other current financial assets".

The main technical, demographic and economic parameters used in the actuarial calculation of employee benefits as at 31 December 2017 are summarised below:

ACTUARIAL ASSUMPTIONS USED FOR THE CALCULATIONS	
SURVIVAL TABLES	ISTAT SIM AND SIF TABLES FOR 2016
ANNUAL TURNOVER RATE	9.60%
PROBABILITY OF REQUESTS FOR ADVANCES	3%
DISCOUNT RATE	1.04% (IBOXX CORPORATES AA € 10+)
INFLATION RATE	1.50%
% REQUESTS FOR ADVANCES	70.00%
NOMINAL REMUNERATION GROWTH RATE	1.50%

6.27 PROVISIONS FOR CURRENT AND NON-CURRENT RISKS AND CHARGES

This item reflects provisions for estimated current liabilities as at 31 December 2017, the timing and extent of which cannot be determined. The following table shows the breakdown of the item and changes in 2017:

DESCRIPTION	BALANCE AS AT 31/12/2016	INCREASES	ADJUSTMENTS	UTILISATION	BALANCE AS AT 31/12/2017
PROVISION FOR THEFT AND LOSS	352	455	-	(352)	455
PROVISION FOR FRAUD	271	831	-	(271)	831
OTHER PROVISIONS FOR RISKS AND CHARGES	357	58	-	-	415
TOTAL PROVISIONS FOR CURRENT RISKS AND CHARGES	980	1,345	-	(623)	1,701

During the year, Euro 352 thousand from the provision for theft and loss was used, and it was therefore deemed appropriate to proceed with a further accrual of Euro 455 thousand, following a new estimate.

During the year, Euro 271 thousand was utilised from the provision for fraud, and it was therefore deemed appropriate to proceed with a further accrual of Euro 831 thousand, to cover against fraud committed via online sales paid for by credit card. This fraud coverage provision was calculated taking into account the historical incidence of the value of fraud in relation to the value of sales.

Other provisions for risks and charges are for staff-related disputes.

6.28 DEFERRED TAX LIABILITIES

The following tables show the breakdown of, and changes in, deferred tax liabilities as at 31 December 2017:

DESCRIPTION	BALANCE AS AT 31/12/2016	INCREASES	UTILISATION	BALANCE AS AT 31/12/2017
DEFERRED TAX LIABILITIES	177	306	(177)	306
TOTAL	177	306	(177)	306

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DESCRIPTION OF TAXABLE ITEM	BALANCE AS AT 31/12/2017	2017 TAX RATE	TAX RECORDED IN 2017
POSITIVE FAIR VALUE (CFH) OF DERIVATIVES	756	24%	181
DEFERMENT OF OTHER ITEMS	524	24%	126
TOTAL	1,280		306

6.29 TRADE PAYABLES

The following table shows a breakdown of trade payables as at 31 December 2017:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
DUE TO SUPPLIERS	325,036	191,992	133,044
CREDIT NOTES TO BE RECEIVED FROM SUPPLIERS	(5,873)	(1,690)	(4,183)
INVOICES TO BE RECEIVED FROM SUPPLIERS	41,852	33,196	8,656
DUE TO CREDIT CARD OPERATORS	13	54	(41)
TOTAL	361,028	223,551	137,477

In 2017, trade payables increased by 61%, from Euro 223,551 thousand as at 31 December 2016 to Euro 361,028 thousand as at 31 December 2017.

Trade payables are all payables relating to purchases of goods and services from the Company's suppliers. Payables are recorded at their nominal value. Since all payables fall due within one year, none are subject to discounting. "Trade payables" includes all amounts due to suppliers, both for the supply of finished products and raw materials, and for the supply of intangible assets.

The increase during the year is linked to: (i) the rise in sales volumes, which, due to the Company's business model, necessitates the purchase of goods in advance of the selling season and (ii) the effort required for the harmonious reorganisation of the group following the merger.

6.30 TAX LIABILITIES

As at 31 December 2017, current tax liabilities on the income of YOOX NET-A-PORTER GROUP S.p.A. for the year, net of payments on account, are not shown.

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
CURRENT INCOME TAX LIABILITY	-	-	-
TOTAL	-	-	-

6.31 OTHER PAYABLES

The following table shows a breakdown of other payables as at 31 December 2017:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016	CHANGE
DUE TO SOCIAL SECURITY INSTITUTIONS	5,520	4,410	1,110
CREDIT NOTES TO BE ISSUED TO CUSTOMERS	20,796	5,536	15,260
DUE TO DIRECTORS	697	679	19
DUE TO EMPLOYEES	10,624	9,894	730
DUE TO TAX REPRESENTATIVES	14,049	9,828	4,221
OTHER PAYABLES	9,806	5,752	4,054
FINANCIAL PAYABLES TO SUBSIDIARIES	15,000	2,850	12,150
ACCRUED EXPENSES AND DEFERRED INCOME	806	1,861	(1,055)
TOTAL	77,299	40,810	36,489

The item "Due to social security institutions" reflects contributions payable to social security institutions, mainly on the amounts recognised to employees at the end of the reporting period.

Credit notes to be issued to customers relate to payables that will definitely arise for returns on sales made in 2017. This item increased in 2017 in line with the increase in sales volume over the previous period.

The item "Due to tax representatives" reflects indirect tax liabilities. Sales carried out in European countries during 2017 and 2016 exceeded the threshold set in article 41, paragraph 1, section b) of Decree-Law 331/93, which requires payment of VAT in the destination country for goods sold. In order to comply with this requirement, the Company has opened VAT accounts in these countries.

STATEMENT OF CASH FLOWS

6.32 PROFIT FOR THE YEAR, TAXES FOR THE YEAR, DEPRECIATION AND AMORTISATION, INCOME TAXES PAID

Details of profit for the year, taxes for the year, depreciation and amortisation and other non-monetary income statement items are provided in Notes 6.3, 6.4, 6.5, 6.11 and 6.12 respectively.

In relation to the income tax of Euro 16,608 thousand allocated in 2017 (Euro 10,997 thousand in 2016), tax payments amounting to Euro 332 thousand were made (Euro 1,478 thousand in 2016) relating to tax outstanding for the previous year and payments on account, calculated in accordance with the respective tax regulations in force in Italy.

6.33 OTHER NET NON-MONETARY INCOME AND EXPENSES

Other net non-monetary income and expenses include non-monetary items on the income statement apart from income tax, depreciation and amortisation and provisions that are classified as a direct deduction from asset items (allowance for impairment and provisions for obsolescence). This includes provisions for defined benefit plans for employees (TFR), the measurement at fair value of Stock Option plans, provisions for risks and charges, capital gains and capital losses, unrealised foreign exchange fluctuations and recognised interest income and expenses. In relation to these last items, interest received and interest paid are presented separately.

6.34 CHANGE IN TRADE RECEIVABLES, INVENTORIES AND TRADE PAYABLES

This item reports the use or generation of cash relative to net working capital, i.e. changes in trade receivables, inventories and trade payables. Changes in trade payables refer exclusively to supplies of raw materials, goods and services, excluding the change in payables to suppliers of investments, which are reported in the section of the statement of cash flows relating to cash generated by or used in investing activities.

6.35 CHANGE IN OTHER CURRENT ASSETS AND LIABILITIES

This item reflects the change in all other current assets and liabilities, net of the effects of recognising non-monetary income and expenses, i.e. the change in the balances with a direct effect on the use or generation of cash.

6.36 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND PROCEEDS FROM THE SALE OF PROPERTY, PLANT AND EQUIPMENT

Cash flow from the acquisition of property, plant and equipment reflects both expenditure to replace plants and expenditure on new plants. The amount reported also includes the change in investment payables.

6.37 ACQUISITION OF OTHER INTANGIBLE ASSETS

Cash flow for the acquisition of other intangible assets relates to investments in licences and software and the capitalisation of development costs (for a breakdown of these, see Note 6.13). Capitalisations are classified among cash flow generated by/used in investing activities since they involve a cash outflow associated with the internal costs incurred (mainly personnel expenses). These outflows were broadly in line with costs capitalised during the year.

6.38 ACQUISITION OF STAKES IN SUBSIDIARIES AND ASSOCIATED COMPANIES

No cash flow from investment was due to payments in the form of loans to hedge future losses during 2017.

6.39 ACQUISITION OF AND PROCEEDS FROM DISPOSALS OF OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets at 31 December 2017 stood at a total of EUR 237 thousand (EUR 106 thousand at 31 December 2016).

Guarantee deposits as at 31 December 2017 relate to rental agreements and administration contracts for gas and energy services. Other non-current financial assets are due to be repaid in more than five years' time.

6.40 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 6.23, "Equity".

6.41 ARRANGEMENT AND REPAYMENT OF MEDIUM/LONG-TERM FINANCIAL LIABILITIES

Repayments of other medium/long-term financial liabilities relate to loans from banks and other lenders, as described in Note 6.24.

6.42 ARRANGEMENT AND REPAYMENT OF SHORT-TERM FINANCIAL LIABILITIES

The change in short-term bank exposure is included in the change in short-term financial payables, since these are forms of short-term borrowing, as described in Note 6.24.

7. DISCLOSURE OF FINANCIAL RISKS

A. *Accounting classification and fair value*

The table below shows the carrying amount and fair value of each financial asset and liability, as well as the relative fair value hierarchy level.

31 DECEMBER 2017	CARRYING AMOUNT						FAIR VALUE				
THOUSANDS OF EUROS	NOTES	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE RECORDED IN INCOME STATEMENT	FAIR VALUE - HEDGING INSTRUMENTS	FINANCIAL LIABILITIES AT FAIR VALUE RECORDED IN INCOME STATEMENT	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS											
OTHER NON-CURRENT FINANCIAL ASSETS		237	-	-	-	-	237	-	-	-	-
TRADE RECEIVABLES		110,927	-	-	-	-	110,927	-	-	-	-
OTHER CURRENT ASSETS		19,141	-	753	-	-	19,894	-	753	-	753
CASH AND CASH EQUIVALENTS		39,919	-	-	-	-	39,919	-	-	-	-
TOTAL FINANCIAL ASSETS		170,224	-	753	-	-	170,977	-	753	-	753
FINANCIAL LIABILITIES											
BANK OVERDRAFTS		-	-	-	-	-	-	-	-	-	-
GUARANTEED BANK LOANS		-	-	-	-	-	-	-	-	-	-
NON-GUARANTEED BANK LOANS		-	-	-	-	(218,246)	(218,246)	-	(218,246)	-	(218,246)
LIABILITIES FOR FINANCIAL LEASES		-	-	-	-	(8,433)	(8,433)	-	(8,433)	-	(8,433)
TRADE PAYABLES		-	-	-	-	(361,028)	(361,028)	-	-	-	-
OTHER LIABILITIES		-	-	(799)	-	(76,500)	(77,299)	-	(799)	-	(799)
TOTAL FINANCIAL LIABILITIES		-	-	(799)	-	(664,207)	(665,006)	-	(277,478)	-	(277,478)

31 DECEMBER 2016	CARRYING AMOUNT					FAIR VALUE					
THOUSANDS OF EUROS	NOTES	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE RECORDED IN INCOME STATEMENT	FAIR VALUE - HEDGING INSTRUMENTS	FINANCIAL LIABILITIES AT FAIR VALUE RECORDED IN INCOME STATEMENT	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS											
OTHER NON-CURRENT FINANCIAL ASSETS		146	-	-	-	-	146	-	-	-	-
TRADE RECEIVABLES		70,215	-	-	-	-	70,215	-	-	-	-
OTHER CURRENT ASSETS		23,349	-	672	-	-	24,021	-	672	-	672
CASH AND CASH EQUIVALENTS		58,480	-	-	-	-	58,480	-	-	-	-
TOTAL FINANCIAL ASSETS		152,189	-	672	-	-	152,861	-	672	-	672
FINANCIAL LIABILITIES											
BANK OVERDRAFTS		-	-	-	-	(2,756)	(2,756)	-	-	-	-
GUARANTEED BANK LOANS		-	-	-	-	-	-	-	-	-	-
NON-GUARANTEED BANK LOANS		-	-	-	-	(102,249)	(102,249)	-	(102,249)	-	(102,249)
LIABILITIES FOR FINANCIAL LEASES		-	-	-	-	(10,259)	(10,259)	-	(10,259)	-	(10,259)
TRADE PAYABLES		-	-	-	-	(223,551)	(223,551)	-	-	-	-
OTHER LIABILITIES		-	-	(1,809)	-	(38,971)	(40,780)	-	(1,809)	-	(1,809)
TOTAL FINANCIAL LIABILITIES		-	-	(1,809)	-	(377,816)	(379,625)	-	(114,316)	-	(114,316)

B. Hierarchical levels of fair value measurement

In order to determine the fair value of financial instruments, the Company relies on measurement techniques based on observable market parameters (Mark to model), which are therefore included in level 2 of the fair value hierarchy identified in IFRS 13.

IFRS 13 identifies a hierarchy of measurement techniques based on three levels:

- Level 1: inputs are quoted prices in markets for identical assets or liabilities;
- Level 2: inputs are inputs other than quoted market prices included within Level 1 that are observable for the financial asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are unobservable; used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability.

In this regard, please recall that, in choosing the measurement techniques to be used, the Company adopts the following hierarchy:

- a) use of prices found in markets, even if they are inactive, of identical instruments (Recent Transactions) or similar instruments (Comparable Approach);
- b) use of measurement techniques based primarily on observable market parameters;
- c) use of measurement techniques based primarily on unobservable market parameters.

The Company has adopted procedures to assess the fair value of assets and liabilities using measurement techniques based on observable market parameters.

The Company determined the fair value of the derivatives in place as at 31 December 2017 using generally accepted measurement techniques for instruments of the type used by the Group.

The models applied for the measurement of instruments require calculations through the Bloomberg info provider. The input data used in the models are primarily observable market parameters (Euro, Yen and Dollar interest rate curve and official exchange rates at the measurement date) acquired from the Bloomberg info provider.

In 2017, there were no transfers from Level 1 to Level 2 or vice versa.

C. Financial risk management

The Company is exposed to the following risks deriving from the use of financial instruments:

- Credit risk, in relation to normal commercial dealings with customers as well as financing activities;
- Liquidity risk, in relation to the availability of financial resources and access to the credit and financial instruments market;
- Market risk, in relation to fluctuations in interest rates and exchange rates between the euro and the other currencies used by the Group.

The Company's risk management policies aim to identify and analyse the risks to which the Company is exposed, establish appropriate limits and controls and monitor risks and compliance with those limits. These policies and the relative systems are revised on a regular basis to reflect any changes in market conditions and Company activities.

CREDIT RISK

Credit risk is the risk that a customer or financial instrument counterparty may cause a financial loss by not meeting a contractual obligation, and derives primarily from the Company's trade receivables and debt securities.

The carrying amount of financial assets represents the Company's maximum exposure to credit risk. The existing receivables at year-end are chiefly due from customers, Group companies, other commercial counterparties and tax authorities. There are no significant overdue balances.

CREDIT RISK WITH COMMERCIAL COUNTERPARTIES

Due to the type of business carried out by the Company, credit risk exposure is limited as collections take place at the time of sale (payments by credit card) or upon delivery in the case of payment on delivery of the merchandise (COD).

Credit risk related to any problem accounts subject to legal action or to overdue accounts is monitored centrally and reported each month.

CREDIT RISK WITH FINANCIAL COUNTERPARTIES

In relation to the credit risk deriving from other financial assets other than trade receivables, theoretical credit risk for the Company arises from the breach of a counterparty with a maximum exposure that is equal to the carrying amount of the financial asset recognised in the financial statements, as well as the nominal value of guarantees given on third-party debt or commitments specified in paragraph 9 of the Notes. The Company has policies in place that limit the amount of credit exposure to the various banks.

YOOX NET-A-PORTER Group S.p.A. has obtained lines of credit from leading Italian and international banks of high standing. Insofar as the Company is aware, there are no potential losses deriving from the impossibility of financial counterparties to meet their contractual obligations of a significant or appreciable amount.

LIQUIDITY RISK

Liquidity risk derives from possible difficulties in obtaining financial resources at an acceptable cost to conduct the Company's normal operating activities.

The factors that determine the liquidity situation of the Company are firstly the resources generated from or used in operating and investing activities, and secondly the maturity and renewal conditions of debt or the liquidity of financial commitments and market conditions.

The Company has adopted a series of policies and processes to optimise the management of financial resources in order to reduce liquidity risk:

- centralised management of payment and payment collection flows, where this is economically expedient and complies with the various civil law, monetary and tax regulations of the countries in which the Parent Company is present;
- maintenance of a suitable level of cash on hand;
- diversified use of tools to procure financial resources and a continuous and active presence on capital markets;
- obtaining adequate credit lines to create a suitable debt structure to best use, within the agreed short- or long-term period, the financial resources granted by the lending system;
- monitoring of future liquidity conditions with reference to the company planning process.

Management considers the funds currently available, in addition to the funds that will be generated from operating and financing activities, sufficient to allow the Parent Company to meet its requirements arising from investment activities, the management of working capital and the repayment of debts upon maturity.

In 2017, the Company met all economic and financial parameters set forth in the covenants of its outstanding loan agreements.

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The table below provides an analysis of the contractual maturities, which also include interest, for financial liabilities.

NON-DERIVATIVE FINANCIAL LIABILITIES	CONTRACTUAL CASH FLOWS								
THOUSANDS OF EUROS	CARRYING AMOUNT	TOTAL	WITHIN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-3 YEARS	3-4 YEARS	4-5 YEARS	MORE THAN 5 YEARS
BANK OVERDRAFTS	-	-	-	-	-	-	-	-	-
GUARANTEED BANK LOANS	-	-	-	-	-	-	-	-	-
NON-GUARANTEED BANK LOANS	218,246	218,246	33,110	33,131	66,325	57,160	28,520	-	-
LIABILITIES FOR FINANCIAL LEASES	8,433	8,433	2,119	1,911	3,127	497	426	354	-
TRADE PAYABLES	361,028	361,028	361,028	-	-	-	-	-	-

DERIVATIVE FINANCIAL LIABILITIES	CONTRACTUAL CASH FLOWS								
THOUSANDS OF EUROS	CARRYING AMOUNT	TOTAL	WITHIN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-3 YEARS	3-4 YEARS	4-5 YEARS	MORE THAN 5 YEARS
HEDGING INTEREST RATE SWAP	(799)	(799)	(799)	-	-	-	-	-	-
HEDGING FORWARD CONTRACTS ON FOREIGN EXCHANGE	752	752	752	-	-	-	-	-	-

Cash inflows/(outflows) in the table above reflect the non-discounted contractual cash flows relating to derivative financial liabilities held for risk management purposes which, in general, are not settled before the agreement maturity date. The financial statement disclosures present net cash flows if they relate to derivative financial instruments which establish net settlement in cash of the spread and gross inflows and outflows if they relate to derivative financial instruments which establish simultaneous gross payments in cash.

The interest to be paid on variable rate loans and on bond issues specified in the table reflects the forward market interest rate at year-end and is influenced by changes in market rates. Future cash flows relating to the potential payment and derivative financial instruments could differ from the amount reported in the tables if the interest and exchange rates or the conditions of the underlying asset change. With the exception of these financial liabilities, the cash flows included in the maturities analysis are not expected to arise significantly in advance of the date expected or with considerably different amounts.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument could fluctuate as a result of changes in market prices, due to changes in exchange rates, interest rates or equity instrument prices. The objective of market risk management is to manage and control the Company's exposure to that risk within acceptable levels, while also optimising the return on investments.

For the YOOX NET-A-PORTER-GROUP, market risk arises in the form of currency and interest rate risk.

CURRENCY RISK

The Company is exposed to currency risk when sales, purchases and loans are in a currency other than the functional currencies of each Group entity which are, primarily, the Euro, the UK pound and the US dollar. The Group is principally exposed towards the US dollar, the UK pound, the Japanese yen and, only to a marginal extent, the Chinese renminbi.

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At all times, the Company covers the estimated exposure to changes in exchange rates with respect to expected sales over the next 12 months. In 2017, this exposure is hedged using US dollar and Japanese yen forward sale agreements and collar options on US dollars and Japanese yen entered into with leading domestic and international credit institutions with which the Group works on a daily basis.

All currency forward sale agreements and collar options have a term of less than one year after year-end close.

The Group companies are located in countries not belonging to the European Monetary Union, specifically the UK, the United States, Japan, China, Dubai and Hong Kong. Since the Group's functional currency is the Euro, the income statements of these companies are translated into Euro at the average exchange rate for the period. Holding revenue and profits constant in their local currencies, changes in the exchange rates concerned may have an effect on the Euro amount of their revenue, costs and financial results. The Euro value of assets and liabilities of consolidated companies whose accounting currency is not the Euro may vary depending on exchange rate movements. In accordance with IFRS, the effects of these changes are recognised directly in equity, under the item "Translation reserve".

The table below summarises the quantitative data of the Group's exposure to currency risk:

THOUSANDS OF EUROS	31 DICEMBRE 2017					
	USD	JPY	GBP	HKD	CNY	RUB
TRADE RECEIVABLES	29,832	20,156	3,016	-	7	8
OTHER CURRENT FINANCIAL ASSETS	-	-	1,327	-	-	537
TRADE PAYABLES	(10,571)	(179)	(39,503)	(287)	(23)	(1)
CASH AND CASH EQUIVALENTS	6,169	4,094	6,601	-	73	-
NET EXPOSURE IN THE STATEMENT OF FINANCIAL POSITION	25,429	24,071	(28,559)	(287)	57	544
HEDGING CONTRACTS	683	69	-	-	-	-
NET EXPOSURE	26,113	24,140	(28,559)	(287)	57	544

THOUSANDS OF EUROS	31 DICEMBRE 2016					
	USD	JPY	GBP	HKD	CNY	RUB
TRADE RECEIVABLES	13,378	5,837	657	-	3	-
OTHER CURRENT FINANCIAL ASSETS	-	-	218	-	-	-
TRADE PAYABLES	(5,948)	(653)	(11,315)	(124)	(18)	-
CASH AND CASH EQUIVALENTS	106	7,316	3,343	-	1,986	-
NET EXPOSURE IN THE STATEMENT OF FINANCIAL POSITION	7,536	12,499	(7,097)	(124)	1,971	-
HEDGING CONTRACTS	(873)	390	-	-	-	-
NET EXPOSURE	6,662	12,889	(7,097)	(124)	1,971	-

Currency risk is measured using a sensitivity analysis and the potential effects of exchange rate fluctuations on the consolidated financial statements as at 31 December 2017 have been analysed.

An appreciation (depreciation) in the Euro, and in the GBP, USD and JPY currencies with respect to all other currencies, would have had effects on the measurement of financial instruments expressed in foreign currency and involved an increase (decrease) in consolidated shareholders' equity and consolidated profit for the year in the amounts shown in the following

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table. This analysis presupposes that all other variables, particularly interest rates, remain the same, and does not consider the effects of expected sales and acquisitions.

THOUSANDS OF EUROS	PROFIT/(LOSS) FOR THE FISCAL YEAR		SHAREHOLDERS' EQUITY	
	APPRECIATION	DEPRECIATION	APPRECIATION	DEPRECIATION
31 DECEMBER 2017				
USD (5% CHANGE)	(1.211)	1.338	(33)	36
JPY (5% CHANGE)	(1.146)	1.267	(3)	4
GBP (5% CHANGE)	1.360	(1.503)	-	-
CNY (5% CHANGE)	(3)	3	-	-
RUB (5% CHANGE)	(26)	29	-	-
HKD (5% CHANGE)	14	(15)	-	-
31 DECEMBER 2016				
USD (5% CHANGE)	(359)	397	42	(46)
JPY (5% CHANGE)	(595)	658	(19)	21
GBP (5% CHANGE)	338	(374)	-	-
CNY (5% CHANGE)	(94)	104	-	-
RUB (5% CHANGE)	-	-	-	-
HKD (5% CHANGE)	-	-	-	-

INTEREST RATE RISK

Interest rate risk arises when a change in interest rates adversely affects performance for the year.

Funding and credit lines available to the YOOX NET-A-PORTER GROUP are indexed to the Euribor, and therefore the Company is exposed to an increase in interest rates. In 2017, the Company decided to manage interest rate risk through recourse to Interest Rate Swap agreements hedging medium/long-term loans.

The table below summarises the quantitative data of the Parent Company's exposure to interest rate risk:

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016
FINANCIAL RECEIVABLES	25,278	16,404
FINANCIAL LIABILITIES	(226,679)	(115,264)
CASH IN CURRENT ACCOUNTS	39,919	58,480
NET EXPOSURE IN THE STATEMENT OF FINANCIAL POSITION	(161,482)	(40,380)
HEDGING CONTRACTS	(46)	(1,137)
NET EXPOSURE	(161,528)	(41,517)

Interest rate risk is measured through the sensitivity analysis and the potential effects of fluctuations in interest rates on the consolidated financial statements as at 31 December 2017 were analysed. If interest rates changed by 100bp at the year-end,

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shareholders' equity and the profit / (loss) for the year would increase or decrease by the amounts given in the table below. The analysis was conducted assuming that other variables, especially exchange rates, remained constant.

THOUSANDS OF EUROS	PROFIT/(LOSS) FOR THE FISCAL YEAR		SHAREHOLDERS' EQUITY	
	100 BPS INCREASE	100 BPS DECREASE	100 BPS INCREASE	100 BPS DECREASE
31 DECEMBER 2017				
VARIABLE RATE FINANCIAL INSTRUMENTS	-	-	992	(1,702)
INTEREST RATE SWAP	-	-	2,980	(2,413)
CASH FLOW SENSITIVITY (NET)	-	-	3,972	(4,115)
31 DECEMBER 2016				
VARIABLE RATE FINANCIAL INSTRUMENTS	-	-	258	(734)
INTEREST RATE SWAP	-	-	1,819	(1,457)
CASH FLOW SENSITIVITY (NET)	-	-	2,077	(2,191)

The following table shows transactions outstanding as at 31 December 2017 and 31 December 2016 and the related fair values:

FINANCIAL INSTRUMENT	NATURE OF HEDGED RISK	NOTIONAL VALUE		FAIR VALUE DERIVATIVES		CURRENT FINANCIAL ASSETS		OTHER FINANCIAL PAYABLES	
		31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
HEDGING TRANSACTIONS									
FORWARD SALES	HEDGING	20,284	50,518	753	(483)	753	(483)	-	-
IRS	INTEREST RATE	200,000	76,250	(799)	(654)	-	-	(799)	(654)
TOTAL		220,284	126,768	(46)	(1,137)	753	(483)	(799)	(654)

HEDGE ACCOUNTING – CASH FLOW HEDGING

The Company performs prospective and retrospective tests of the effectiveness of the derivative financial instruments recorded, using the rules of hedge accounting.

Effectiveness is ensured if the ratio of the change in the fair value of the hedging instrument to the change in the fair value of the hedged instrument falls within the range of 80%-125%.

In 2017, the Company put cash flow hedges into place in relation to a highly likely planned transaction.

The financial instruments in place as at 31 December 2017 are forward contracts stated at fair value in the equity reserve, as set out in IAS 39.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

Measured at amortised cost: held-to-maturity assets, trade receivables and payables, time deposits, loans, and other liabilities and assets measured at amortised cost (such as other receivables and payables).

Pursuant to IFRS 7, the fair value of these items is re-measured by calculating the present value of the contractually-expected flows of principal and interest, with reference to the yield curve for government securities at the measurement date.

Investments in repurchase agreements, mentioned previously, come under financial assets valued at amortised cost.

The carrying amount of trade payables and receivables represents a reasonable approximation of their fair value.

8. INFORMATION PURSUANT TO IAS 24 ON MANAGEMENT REMUNERATION AND ON RELATED PARTIES

Related-party transactions, as defined under IAS 24, as at 31 December 2017 and as at 31 December 2016 were restricted to commercial, administrative and financial services relationships with subsidiaries and other related parties. The transactions form part of normal business operations, within the usual scope of activity of each of the interested parties, and are carried out under normal market conditions.

Below is a non-exhaustive list of definitions of the related parties of an entity (the "Entity") as those indicated by International Accounting Standard no. 24 (IAS 24) and those listed by way of example, but not limited to the following:

- a) entities that directly or indirectly:
 - (i) control the Entity, or
 - (ii) are controlled by the Entity, or
 - (iii) are subject to joint control with the Entity, or
 - (iv) have significant influence over the Entity, or
 - (v) have joint control over the Entity.
- b) entities related to the Entity according to the definition set out in IAS 28 – Investments in Associates;
- c) joint ventures in which the Entity has a shareholding;
- d) managers with strategic responsibility for the Entity or its parent company, including the directors and statutory auditors of the Entity;
- e) the close family members of any physical persons included in points a) to d) above;
- f) entities controlled or jointly controlled by one of the persons described in points d) or e) above, or that are under the significant influence of these persons; i.e. entities in which the persons described in d) and e) hold, either directly or indirectly, a significant share of the voting rights;
- g) pension funds for employees of the Entity or any other entity related to it.

8.1 TRANSACTIONS WITH SUBSIDIARIES

The main relationships between YOOX NET-A-PORTER GROUP S.p.A. and its subsidiaries are chiefly commercial in nature and can be summarised as follows:

1. YOOX NET-A-PORTER GROUP S.p.A. supplies its subsidiaries with products for sale in the US and Japanese online stores;
2. YOOX NET-A-PORTER GROUP S.p.A. provides its subsidiaries with website maintenance, support services and updates;

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3. YOOX NET-A-PORTER GROUP S.p.A. provides its subsidiaries with administrative, financial and legal services;
4. YOOX NET-A-PORTER GROUP S.p.A. provides its subsidiaries with customer service support (via a customer care service located at the Italian head office that interfaces with Japanese and US customers using dedicated staff);
5. YOOX NET-A-PORTER GROUP S.p.A. provides its subsidiaries with advice and support in the areas of fashion, marketing, advertising and professional training.

YOOX NET-A-PORTER GROUP S.p.A. believes that none of the relationships between the Group companies or between the Group companies and related parties are considered to be atypical or unusual, and form part of the Group's ordinary business operations. The transactions were carried out under normal market (i.e. arm's-length) conditions.

The following tables indicate receivables and payables between the Company and other Group companies at 31 December 2017 and 31 December 2016. Receivables and payables related to subsidiaries are in GBP, USD, JPY, CNY, AED and HDK and translated into euros at the year-end exchange rate. Revenue and costs are in GBP, USD, JPY, CNY, AED and HDK and translated into euros at the average exchange rate for the year in question.

31 December 2017

	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUES	COSTS
YNAP CORPORATION	26,773	17	3,752	-	103,713	1,235
YOOX JAPAN	20,825	-	185	-	44,749	175
MISHANG TRADING (SHANGHAI)	19,277	1,721	277	-	8,824	22
YOOX ASIA LTD	15,588	2,689	18	-	38,410	43
THE NET-A-PORTER GROUP LIMITED	12,409	304	48,275	15,167	7,896	47,020
THE NET-A-PORTER GROUP ASIA PACIFIC LTD	2,806	3	545	-	1,328	538
THE NET-A-PORTER GROUP CHINA LTD	15	-	5	-	-	-
YNAP MIDDLE EAST TRADING	3,326	-	-	-	3,526	-
YNAP MIDDLE EAST HOLDING	220	-	-	-	234	-
TOTAL SUBSIDIARIES	101,239	4,734	53,057	15,167	208,680	49,033

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31 December 2016

	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUES	COSTS
YNAP CORPORATION	18,215	355	1,762	-	95,944	1,682
YOOX JAPAN	7,921	-	99	819	40,099	130
MISHANG TRADING (SHANGHAI)	17,179	1,752	17	-	8,529	17
YOOX ASIA LTD	6,806	-	1	2,059	25,766	19
THE NET-A-PORTER GROUP LIMITED	7,933	937	2,183	-	7,551	3,024
THE NET-A-PORTER GROUP ASIA PACIFIC LTD	1,176	61	-	-	1,111	-
THE NET-A-PORTER GROUP CHINA LTD	4	4	-	-	-	-
TOTAL SUBSIDIARIES	59,234	3,109	4,062	2,878	179,000	4,873

8.2 TRANSACTIONS WITH OTHER RELATED PARTIES

The tables below show the Company's main financial and commercial relations with related parties other than Group companies as at 31 December 2017 and 31 December 2016, excluding intra-group relations, which are summarised above. Commercial transactions with these entities are carried out under normal market conditions, and all transactions are carried out in the interest of the Company.

31 December 2017

DESCRIPTION	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUES	COSTS
GATTI PAVESI BIANCHI STUDIO LEGALE ASSOCIATO	-	-	370	-	-	1,899
TARTER KRINSKY E DROGIN LLP	-	-	-	-	-	1
RICHEMONT GROUP	76	-	3,949	-	382	11,464
E_LITE	-	-	8,383	-	6,572	-
TOTAL RELATED PARTIES	76	-	12,701	-	6,954	13,365

31 December 2016

DESCRIPTION	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL LIABILITIES	REVENUES	COSTS
GATTI PAVESI BIANCHI STUDIO LEGALE ASSOCIATO	-	-	573	-	-	1,574
TARTER KRINSKY E DROGIN LLP	-	-	47	-	-	44
RICHEMONT GROUP	42	-	2,138	-	691	4,043
E_LITE	-	-	10,163	-	6,232	-
TOTAL RELATED PARTIES	42	-	12,922	-	6,923	5,661

- Studio Legale Associato Gatti Pavesi Bianchi: a partner in the law firm is a director of the Parent;

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- Tarter Krinsky and Drogin LLP: a partner in the law firm is a member of the Board of Directors of one of the Group's companies (YNAP Corporation);
- E_lite: it is a 49% owned subsidiary;
- Richemont, and its subsidiaries, since it is a Group shareholder.

None of the transactions that took place with related parties in the period ended 31 December 2017 and in the year 2016 was significant (except as mentioned above), atypical and/or unusual.

8.3 REMUNERATION OF SENIOR MANAGERS AND OTHER KEY PERSONS IN THE COMPANY

The senior management and key persons with strategic responsibility for management, planning and administration in the Company are, in addition to executive and non-executive directors, the Chief Financial Officer, General Manager, Chief Operating Officer and Co-General Manager.

The gross annual remuneration of the above persons, inclusive of all forms of remuneration (including gross pay, bonuses and fringe benefits), as well as bonuses accrued but not paid out that are subject to the achievement of long-term objectives, are reported in the following table together with the fees of the members of the Board of Statutory Auditors:

31 December 2017

DESCRIPTION	SHORT-TERM BENEFITS	LONG-TERM BENEFITS	STOCK OPTION PLANS AND COMPANY INCENTIVE PLANS
DIRECTORS	2,242	1,032	6,637
STATUTORY AUDITORS	71	-	-
MANAGEMENT PERSONNEL WITH STRATEGIC RESPONSIBILITIES	1,517	328	1,454
TOTAL	3,830	1,360	8,091

31 December 2016

DESCRIPTION	SHORT-TERM BENEFITS	LONG-TERM BENEFITS	STOCK OPTION PLANS AND COMPANY INCENTIVE PLANS
DIRECTORS	2,118	1,000	6,655
STATUTORY AUDITORS	71	-	-
MANAGEMENT PERSONNEL WITH STRATEGIC RESPONSIBILITIES	1,462	65	1,056
TOTAL	3,651	1,065	7,712

Finally, no close family members of any of the natural persons indicated above are related parties of the Issuer and/or the companies of the Group, as defined in IAS 24.

9. OTHER INFORMATION

COMMITMENTS AND GUARANTEES

DESCRIPTION	BALANCE AS AT 31/12/2017	BALANCE AS AT 31/12/2016
THIRD-PARTY ASSETS HELD BY THE COMPANY	139,249	125,191
GUARANTEES GIVEN TO OTHERS	2,900	2,900
COMMITMENTS UNDER HEDGING CONTRACTS (NOMINAL VALUE)	220,284	126,768

The warehouses of the companies hold goods worth Euro 139,249 thousand received on a sale-or-return basis from YOOX NET-A-PORTER GROUP S.p.A.'s partners. The increase compared with the previous fiscal year was due exclusively to the increase in sales in the last quarter of the mono-brand online stores that store goods at our warehouses.

The guarantees given relate to the following contracts:

- the contract agreed by the Parent Company with SINV, with effect from 12 May 2015, for a period of nine months, which may be renewed at the end of the contract, for the rental of office premises in Milan. The surety amounts to Euro 356,526.50 and will expire on 01 January 2019;
- the contract agreed by the Company with Oslavia, with effect from 04 November 2016 for a period of six years, for the rental of office premises in Via Lombardini, Milan. The surety amounts to Euro 20,934.15 and expires on 31 July 2020;
- the contract concluded by the Company following the repayment of the Global Collect guarantee deposit of Euro 1,200,000, after UniCredit issued a bank guarantee for the same amount, expiring on 30 June 2018;
- the contract agreed with Logistica Bentivoglio S.r.l. with effect from 27 June 2011 and expiring on 31 December 2017 to guarantee compliance with obligations under the rental agreement for the warehouse at the Bentivoglio Blocco 9.5 Interporto totalling Euro 564,052;
- the contract agreed by the Company with Despina S.p.A. to guarantee compliance with obligations under a rental contract with effect from 10 February 2017, relating to office premises at Via Nannetti 1 in Zola Predosa. The amount of the surety is Euro 400,000 expiring on 1 February 2018;
- the contract agreed with Geodis Logistic S.p.A. with effect from 13 February 2013 and expiring on 30 January 2019 to guarantee compliance with obligations under the rental agreement for the warehouse and offices at the Interporto totalling Euro 103,621;
- the contract agreed with Generali Italia Immobiliare, with effect from 25 July 2013 and expiring on 13 September 2019, for the rental of office space in Casalecchio di Reno in via del Lavoro. The amount of the surety is Euro 31,140;
- the contract agreed with Vailog S.r.l. to guarantee compliance with obligations under the rental agreement for the warehouse and offices at the Interporto with effect from 4 November 2016 and expiring on 30 November 2025. The amount of the surety is Euro 224,000.

The hedging contracts relate to:

- forward sales set up by the Parent to cover the currency risk connected to intra-Group sales in US dollars and Japanese yen. The nominal amount of these commitments, translated to Euro at the exchange rate in effect at the reporting date, is Euro 20,284 thousand;
- Interest Rate Swaps signed by the Parent Company to hedge the interest rate risk related to the medium/long-term loan agreed for financing the new techno-logistics platform. The nominal amount of commitments at the reporting date is Euro 200,000 thousand.

10. SUBSEQUENT EVENTS

In light of the recent migration of THE OUTNET and the Group's commitment to further reduce the risk profile during the In Season migration to the Omni-stock model, YNAP has decided to separate the NET A PORTER migration from the MR PORTER migration. The underlying rationale is to reduce complexity of the entire process by involving all available resource in the migration of one store at a time. The potential impact on sales will also be minimised, by planning the completion of the first transition before the Christmas holidays and the start of the second after the seasonal peak. Consequently, the MR PORTER migration is planned in 2018, according to the original schedule, while the NET-A-PORTER migration will be postponed by a few months to 2019.

Multi-brand In-Season

The start of 2018 saw significant developments in the In-Season commerce content to commerce offering. In particular, as a direct response to the increased demand from consumers for more editorial content, NET A PORTER launched PORTER Digital: original PORTER content, available every day and integrated into the native app, which allows customers to translate inspiration directly into purchases. PORTER has therefore become the only editorial expression of NET-A-PORTER, offering daily, weekly and bi-monthly content on all platforms.

From the onset, PORTER Digital elicited significant interest from customers: in the first three weeks following the launch, unique visitors to the NET-A-PORTER editorial section doubled as did the revenue generated directly from the content that is also available for sale.

In January, Balenciaga created two exclusive capsule collections for NET-A-PORTER and MR PORTER, which constituted the first collaboration under the artistic direction of Demna Gvasalia from the time he joined the Kering Group's Brand. The exclusive capsule collection was very well received by customers, with record pre-order sales levels compared to the previous capsule collections.

A new Personal Shopping team based in Dubai was created in January 2018, to increase the engagement with the local high spending customers prior to the In-Season localisation.

Online Flagship Stores

As a part of NEXT ERA framework, the Online Flagship Stores business extended to Europe the possibility of direct invoicing, a functionality which will allow Valentino to implement the "unique inventory overview".

YOOX NET-A-PORTER GROUP S.p.A. and Balmain Paris concluded a 5-year global agreement for the design and operation of the new Balmain Online Flagship Store, expected to launch in 2018.

The global partnership for the Online Flagship Store stoneisland.com "Powered by YOOX NET-A-PORTER GROUP" was extended for a further 5 years to 2023, following an agreement concluded between SPORTSWEAR COMPANY S.p.A. and YOOX NET-A-PORTER GROUP S.p.A.

ASSIGNMENT OF SHARES FOLLOWING THE EXERCISE OF STOCK OPTIONS

Following the end of the Period, on 10 January and 9 February 2018 overall 803,140 YNAP ordinary shares were granted following the exercise of 15,445 options whose details are reported in the chart below:

STOCK OPTION PLANS	ASSIGNMENT DATE	STRIKE PRICE (IN EURO)		TOTAL OPTIONS	TOTAL SHARES AFTER DIVISION
		106.5	59.17		
2004 – 2006	10/01/2018	500		500	26,000
2006 – 2008	10/01/2018		200	200	10,400
2007 – 2012	10/01/2018		962	962	50,024
SUB TOTAL		500	1,162	1,662	86,424
2006 – 2008	09/02/2018		3,636	3,636	189,072
2007 – 2012	09/02/2018	336	9,811	10,147	527,644
SUB TOTAL		336	13,447	13,783	716,716
TOTAL		836	14,609	15,445	803,140

As a result of this, the new share capital issued by YNAP S.p.A. is equal to Euro 1,347,794.33 represented by 134,779,433 shares with no par value, including 91,966,288 ordinary shares and 42,813,145 B Shares without voting rights.

VOLUNTARY TENDER OFFER ON YNAP SHARES

On 22 January 2018, Compagnie Financière Richemont SA ("Richemont") announced its intention to launch a voluntary takeover bid to acquire all the ordinary shares of YOOX NET-A-PORTER GROUP S.p.A. ("YNAP") - issued or to be issued - other than those held by Richemont and its affiliates, pursuant to article 102 of Legislative Decree 58/1998. Pursuant to the terms of the Offer, the YNAP shareholders will receive Euro 38.00 per ordinary share.

The offering document was submitted to the Commissione Nazionale per le Società e la Borsa ("Consob") on 12 February 2018 and on 20 February 2018, Consob announced the suspension of the review period until 7 March 2018. The reason for the suspension is to allow Richemont to add to the Offering Documentation the main financial data regarding the draft separate and consolidated financial statements of YNAP as at 31 December 2017.

The Board of Directors of YNAP has not yet met to express its own assessment of the offer. Any changes to the Offer will be announced in a press release that the Company will issue pursuant to article 103, par. 3 of the TUF and art. 39 of Consob Regulation 11971/1999.

For further information regarding the offer, see the press releases and documents available online on the company's website www.ynap.com (in the section on Investor Relations / Public Tender Offer on YNAP Shares) and on the Richemont website www.richemont.com (in the section Investors / YOOX NET-A-PORTER GROUP Tender Offer).

BUSINESS OUTLOOK

In light of the Group's leadership position in luxury fashion e-commerce and of the positive outlook for the online retail market, YOOX NET-A-PORTER GROUP expects to achieve organic net revenue growth in line with its Strategic Plan. All of the Group's business lines and key markets are expected to positively contribute to this growth. The Group also expects to deliver an improvement in the adjusted EBITDA margin at constant exchange rates.

The Group expects to invest between Euro 170 and 180 million and to improve its cash flow absorption compared to 2017. Investments will be mainly dedicated to convergence to the new omni-stock set-up and the ongoing development of the new shared technology platform. A strong focus will be placed on mobile innovation and on the roll-out of localisation and omni-channel features. The Group also plans to expand its operations with the opening of the In-Season hub in Milan and additional spaces at the Interporto logistics pole in Bologna.

BOARD OF DIRECTORS' RESOLUTION PROPOSED TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

We would therefore like to make following proposals to you:

- to approve the separate financial statements of YOOX NET-A-PORTER GROUP S.p.A. as at 31 December 2017, which report a net loss of Euro 69,704,582.47 (sixty-nine million, seven hundred and four thousand, five hundred and eighty-two euros and forty-seven euro cents), together with this Directors' Report;
- to increase the legal reserve to up to Euro 267,952.59 (two hundred and sixty-seven thousand, nine hundred and fifty-two euros and fifty-nine euro cents), equal to 20% of the share capital subscribed and paid up of Euro 1,339,762.93 (one million, three hundred and thirty-nine thousand, seven hundred and sixty-two euros and ninety-three euro cents), applying to the "Share premium reserve".
- to cover the loss for the year by using the share premium reserve in the amount of Euro 69,704,582.47 (sixty-nine million, seven hundred and four thousand, five hundred and eighty-two euros and forty-seven euro cents);

We also suggest that you acknowledge that the YNAP Group's consolidated financial statements as at 31 December 2017 show a net profit of Euro 17,260,921.43 (seventeen million, two hundred and sixty thousand, nine hundred and twenty-one euros and forty-three euro cents). Including a loss of minority pertaining to minority interests of Euro 1,310,200.25 (one million three hundred ten thousand two hundred Euros and 25 Euro cents).

Milan, 6 March 2018
For the Board of Directors

Chairman of the Board of Directors
Raffaello Napoleone

YOOX NET-A-PORTER GROUP

ANNEX 1

Separate income statement as at 31/12/2017 prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

INCOME STATEMENT	31 DECEMBER 2017			31 DECEMBER 2016		
	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
THOUSANDS OF EUROS						
NET REVENUES	639,515	6,954	1.1%	578,904	6,923	1.2%
COST OF GOODS SOLD	(503,137)	(11,464)	2.3%	(445,229)	(4,043)	0.9%
FULFILMENT COSTS	(66,142)			(52,704)		
SALES AND MARKETING COSTS	(41,600)	(297)	0.7%	(40,949)	(358)	0.9%
GENERAL EXPENSES	(107,569)	(14,885)	13.8%	(85,814)	(14,018)	16.3%
OTHER INCOME AND EXPENSES	176			(6,011)		
NON-RECURRING EXPENSES	-			-		
OPERATING PROFIT	(78,758)			(51,803)		
INCOME FROM EQUITY INVESTMENTS	2,949			3,571		
FINANCIAL INCOME	3,859			5,988		
FINANCIAL EXPENSES	(14,363)			(12,674)		
PROFIT BEFORE TAX	(86,313)			(54,918)		
TAXES	16,608			10,997		
NET INCOME FOR THE FISCAL YEAR	(69,705)			(43,921)		

ANNEX 2

Statement of financial position as of 31/12/2017, prepared in accordance with CONSOB Resolution 15519 of 27 July 2006 and CONSOB Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

STATEMENT OF ASSETS AND LIABILITIES	31 DECEMBER 2017			31 DECEMBER 2016		
	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
AMOUNTS IN THOUSANDS OF EURO AND PERCENTAGE WEIGHTING ON INDIVIDUAL ITEMS						
NON-CURRENT ASSETS						
PROPERTY, PLANT AND EQUIPMENT	90,786			60,093		
INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	159,678			91,981		
EQUITY INTERESTS IN SUBSIDIARY COMPANIES	1,861,266			1,858,870		
INVESTMENTS IN ASSOCIATES	963			701		
DEFERRED TAX ASSETS	38,035			21,629		
OTHER NON-CURRENT FINANCIAL ASSETS	237			146		
TOTAL NON-CURRENT ASSETS	2,150,965			2,033,419		
CURRENT ASSETS						
INVENTORIES	321,072			235,181		
TRADE RECEIVABLES	110,927	76	0.1%	70,215	42	0.1%
OTHER CURRENT ASSETS	19,894			24,021		
CASH AND CASH EQUIVALENTS	39,919			58,480		
CURRENT FINANCIAL ASSETS	25,278			16,404		
TOTAL CURRENT ASSETS	517,091			404,300		
TOTAL ASSETS	2,668,055			2,437,720		
SHAREHOLDERS' EQUITY						
SHARE CAPITAL	1,340			1,337		
RESERVES	2,069,247			2,074,602		
RETAINED EARNINGS AND LOSSES RESERVE	-			24,766		
NET INCOME FOR THE FISCAL YEAR	(69,705)			(43,921)		
TOTAL SHAREHOLDERS' EQUITY	2,000,882			2,056,785		

YOOX NET-A-PORTER GROUP

STATEMENT OF ASSETS AND LIABILITIES	31 DECEMBER 2017			31 DECEMBER 2016		
	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
NON-CURRENT LIABILITIES						
MEDIUM/LONG-TERM FINANCIAL LIABILITIES	156,410			98,810		
EMPLOYEE BENEFITS	160			153		
PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	-			-		
DEFERRED TAX LIABILITIES	306			177		
TOTAL NON-CURRENT LIABILITIES	156,876			99,140		
CURRENT LIABILITIES						
BANK LOANS AND OTHER CURRENT FINANCIAL LIABILITIES	70,270			16,454		
PROVISIONS FOR RISKS AND CHARGES	1,701			980		
TRADE PAYABLES	361,028	12,701	3.5%	223,551	12,941	5.8%
TAX LIABILITIES	-			-		
OTHER PAYABLES	77,299			40,810		
TOTAL CURRENT LIABILITIES	510,297			281,795		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,668,055			2,437,720		

ANNEX 3

Statement of cash flows for the year ended 31/12/2017, prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

STATEMENT OF CASH FLOWS	31 DECEMBER 2017			31 DECEMBER 2016		
	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
NET INCOME FOR THE FISCAL YEAR	(69,705)			(43,921)		
ADJUSTMENTS FOR:						
TAXES FOR THE FISCAL YEAR	(16,608)			(10,997)		
FINANCIAL EXPENSES DURING THE FISCAL YEAR	14,363			12,674		
FINANCIAL INCOME DURING THE FISCAL YEAR	(3,859)			(5,988)		
DIVIDENDS	(2,687)			(3,199)		
SHARE OF EARNINGS FROM ASSOCIATES	(262)			(371)		
AMORTISATION AND IMPAIRMENT LOSSES FOR THE FISCAL YEAR	47,747			35,659		
FAIR VALUE ADJUSTMENT OF STOCK OPTION PLANS	10,322			10,294		
LOSSES/(GAINS) ON SALE OF NON-CURRENT ASSETS	(1,224)			33		
PROVISIONS FOR EMPLOYEE BENEFITS	8			60		
PROVISIONS FOR RISKS AND CHARGES	1,344			980		
PAYMENT OF EMPLOYEE BENEFITS	(2)			(61)		
USE OF PROVISIONS FOR RISKS AND CHARGES	(623)			(343)		
CHANGES IN INVENTORIES	(85,891)			(6,142)		
CHANGES IN TRADE RECEIVABLES	(40,712)	(34)	0.1%	(23,194)	121	-0.5%
CHANGES IN TRADE PAYABLES	137,477	(244)	-0.2%	44,370	3,413	7.7%
CHANGES IN OTHER CURRENT ASSETS AND LIABILITIES	41,787			(19,146)		
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	31,474			(9,294)		
INCOME TAX PAID	332			(1,478)		
INTEREST AND OTHER FINANCIAL EXPENSES PAID	(14,363)			(12,674)		
INTEREST AND OTHER FINANCIAL INCOME RECEIVED	3,859			5,988		
DIVIDENDS DRAWN	2,687			3,199		
CASH FROM (USED IN) OPERATING ACTIVITIES	23,989			(14,258)		
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT	(42,723)			(26,778)		

YOOX NET-A-PORTER GROUP

STATEMENT OF CASH FLOWS	31 DECEMBER 2017			31 DECEMBER 2016		
	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING	BALANCE	OF WHICH WITH RELATED PARTIES	% WEIGHTING
ACQUISITION OF INTANGIBLE ASSETS	(103,580)			(65,165)		
ACQUISITION OF STAKES IN SUBSIDIARIES	-			-		
ACQUISITION OF STAKES IN ASSOCIATES	-			-		
ACQUISITION OF OTHER NON-CURRENT FINANCIAL ASSETS	(91)			(40)		
CASH FROM (USED IN) INVESTING ACTIVITIES	(146,394)			(91,984)		
<i>FINANCING ACTIVITIES</i>						
NEW SHORT-TERM LIABILITIES	57,242			82		
REPAYMENT OF SHORT-TERM LIABILITIES	(3,503)			(11,730)		
NEW MEDIUM/LONG-TERM FINANCIAL LIABILITIES	89,275			75,000		
REPAYMENT OF MEDIUM/LONG-TERM FINANCIAL LIABILITIES	(30,593)			(81,919)		
TREASURY SHARE ACQUISITION	-			-		
PAYMENT FOR SHARE CAPITAL INCREASE AND SHARE PREMIUM RESERVE	297			100,186		
INVESTMENTS IN OTHER FINANCIAL ASSETS	(8,874)			(1,578)	240	-15.2%
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	103,845			80,041		
TOTAL CASH FLOW FOR THE FISCAL YEAR	(18,560)			(26,201)		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	58,480			84,680		
CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR	39,919			58,480		
TOTAL CASH FLOW FOR THE FISCAL YEAR	(18,560)			(26,201)		

ANNEX 4

Summary statement of consideration paid during the fiscal year for services provided to the Parent Company by the independent auditors and other entities belonging to the same network as the independent auditors, prepared in application of Article 149-duodecies of Issuers' Regulation no. 11971 of 13 May 1999 and subsequent amendments.

TYPE OF SERVICE	SERVICE PROVIDER	RECIPIENT	AMOUNTS (THOUSANDS OF EUROS)
AUDITING			
AUDITING	KPMG S.P.A.	PARENT	1,540
CERTIFICATION SERVICES			
CERTIFICATION SERVICES	KPMG S.P.A.	PARENT	147
OTHER SERVICES			
OTHER SERVICES	KPMG S.P.A. AND KPMG NETWORK	PARENT	325
TOTAL			2,012

The amounts shown in the table, relating to the year 2017, are those agreed by contracts, including any indexing (but not including pocket expenses, any supervisory fees and VAT).

ANNEX 5

Summary statement of possibility of use of reserves.

(thousands of Euros)

NATURE / DESCRIPTION	AMOUNT	POSSIBILITY OF USE	AVAILABLE PORTION	OF WHICH DISTRIBUTABLE PORTION
CAPITAL:				
SHARE CAPITAL	1,340	B		
PAYMENT FOR FUTURE SHARE CAPITAL INCREASE	-	A,B		
CAPITAL RESERVE:				
SHARE PREMIUM RESERVE (1)	182,146	A,B,C	182,146	182,146
TREASURY SHARE ACQUISITION RESERVE	(162)			
CAPITAL CONTRIBUTION RESERVE	-			
MERGER SURPLUS RESERVE	1,840,048			
PROFIT RESERVES:				
LEGAL RESERVE	267	B	267	
RESERVES REQUIRED BY THE ARTICLES OF ASSOCIATION	-			
STOCK OPTION RESERVES	47,050	A,B	47,050	
IAS 19 – RESERVE	(66)		(66)	
CASH FLOW RESERVES ON DERIVATIVES	(35)		(35)	
PROFIT RESERVES CARRIED FORWARD	-			
TOTAL CAPITAL AND RESERVES	2,070,587			
PROFIT/(LOSS) FOR THE FISCAL YEAR	(69,705)			
TOTAL SHAREHOLDERS' EQUITY	2,000,882			
KEY:				
A: FOR SHARE CAPITAL INCREASE.				
B: TO COVER LOSSES.				
C: FOR DISTRIBUTION TO SHAREHOLDERS.				

NB:

(1) Pursuant to article 2431 of the Italian Civil Code, this reserve may be distributed only if the legal reserve has reached the limit established in article 2430 of the Italian Civil Code.

Certification of the separate financial statements as at 31 December 2017 pursuant to Article 81-ter of Consob regulation 11971 of 14 May 1999 as subsequently amended and supplemented

YNAP Group

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION No. 11971 OF 14 MAY 1999, AS AMENDED

The undersigned, Federico Marchetti, as Chief Executive Officer, and Enrico Cavatorta, as Director in charge of preparing the corporate accounting documents of YOOX NET-A-PORTER GROUP S.p.A. hereby certify, with due regard for the provisions of Article 154-bis (3 and 4) of Legislative Decree No. 58 of 24 February 1998:

- the adequacy, with respect to the Company's characteristics and
- the actual application

of the administrative and accounting procedures for preparing the separate financial statements in 2017.

We also bear witness to the fact that:

The separate financial statements as at 31 December 2017:

- 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 19 July 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.

Date: 06 March 2018

Chief Executive Officer

Federico Marchetti

Director in charge of preparing
corporate accounting documents

Enrico Cavatorta

Report of the Independent Auditors on the financial statements



KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of
YOOX NET-A-PORTER GROUP S.p.A.*

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of YOOX NET-A-PORTER GROUP S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2017, the income statement and the statements of other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of YOOX NET-A-PORTER GROUP S.p.A. as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the separate financial statements" section of our report. We are independent of YOOX NET-A-PORTER GROUP S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Società per azioni
Capitale sociale
Euro 10.150.950,00 i.v.
Registro Imprese Milano e
Codice Fiscale N. 00709600159
R.E.A. Milano N. 512867
Partita IVA 00709600159
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Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA



YOOX NET-A-PORTER GROUP S.p.A.
Independent auditors' report
31 December 2017

Recoverability of the investment in Larentia Ltd, which holds controlling investments in the NET-A-PORTER Group

Notes to the separate financial statements: note 4 – Accounting policies: Use of estimates, Investments in subsidiaries, Impairment losses and reversals of impairment losses on assets; note 6.15 – Investments in subsidiaries

Key audit matter	Audit procedures
<p>The separate financial statements at 31 December 2017 include the investment in Larentia Ltd, which, in turn, holds controlling investments in the NET-A-PORTER Group, amounting to €1,854 million.</p> <p>Considering that the carrying amount of the investment in Larentia Ltd substantially equals the carrying amount of the assets arising from the acquisition of the NET-A-PORTER Group in the YNAP Group's consolidated financial statements, the company has tested the carrying amount of its investment for impairment, together with the test of the recoverability of the carrying amount of goodwill recognised in the consolidated financial statements.</p> <p>Accordingly, it forecast the cash flows of the period covered by the calculation using the same financial inputs used for the impairment test at consolidation level.</p> <p>For the above reasons, we believe that the recoverability of the investment in Larentia Ltd is a key audit matter.</p>	<p>Our audit procedures, which also involved our own valuation specialists, included:</p> <ul style="list-style-type: none"> — understanding and analysing the process used to draft the 2017-20 business plan (the "plan"); — challenging the reasonableness of the key assumptions used by the directors to determine the recoverable amount of the investment in Larentia Ltd, including the plan's operating cash flows. Our analyses included comparing the key assumptions used to the company's historical data and external information, where available; — analysing the valuation models adopted by the company for reasonableness and consistency with professional practice; — checking the sensitivity analyses disclosed in the notes with reference to the key assumptions used for impairment testing, including the weighted average cost of capital, the long-term growth rate, the sensitivity of revenue and profitability during the plan's explicit period; — assessing the appropriateness of the disclosures provided in the notes about the investment in Larentia Ltd and related impairment test.

Recoverability of development expense

Notes to the separate financial statements: note 4 – Accounting policies: Use of estimates, Intangible assets, Impairment losses and reversals of impairment losses on assets; note 6.14 – Intangible assets with a finite useful life.

Key audit matter	Audit procedures
<p>The separate financial statements at 31 December 2017 include expenses of €151 thousand incurred to develop of a technological platform, including €90 million recognised as intangible assets under development.</p> <p>The capitalisation of development expense requires management estimates, as its</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — understanding the process for the measurement of the recoverability of development expense and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls;



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recoverability depends on the forecast cash flows from the sale of the products sold through the technological platform.

These estimates are based on both the complex assumptions underlying the projections of revenue and profitability and the directors' business strategic decisions.

Due to the complexity and subjectivity of the above estimates, we believe that the recovery of development expense is a key audit matter.

- analysing the most significant discrepancies in assets capitalised on a regular basis, comparing them with the prior year figures and discussing the outcome with the relevant internal departments;
- analysing the recoverability valuation models adopted by the company for reasonableness and consistency with professional practice and sample-based reasonableness test of the forecast variables;
- assessing the appropriateness of the disclosures provided in the notes about development expense.

Measurement of inventories

Notes to the separate financial statements: note 4 – Accounting policies: Use of estimates, Inventories, Allowance for inventory write-down; note 6.19 – Inventories.

Key audit matter	Audit procedures
<p>The separate financial statements at 31 December 2017 include inventories of €321 million, net of the allowance for inventory write-down of €27 million.</p> <p>Determining the allowance for inventory write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by the characteristics of the company's business segment. Moreover, it is based on algorithms for the measurement of the inventories' realisable value that consider the collections' seasonality, the change in customer preference, as well as the high number of product codes handled requiring constant monitoring of inventory movements and analysis of their profitability.</p> <p>For the above reasons, we believe that the measurement of inventories is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none">— understanding the process for the measurement of inventories and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls;— analysing documents and discussing the method used to calculate the allowance for inventory write-down with the relevant internal departments;— checking changes in inventories during the year, considering their expected life cycle based on their age and analysing the historical sales and profitability figures by season;— checking the algorithms used to classify inventories based on their age and condition for the purposes of determining their net realisable value;— assessing the appropriateness of the disclosures provided in the notes about inventories.



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Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of YOOX NET-A-PORTER GROUP S.p.A. for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, in accordance with the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report



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to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 8 September 2009, the company's shareholders engaged us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2009 to 31 December 2017.

We declare that the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 were not provided and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of YOOX NET-A-PORTER GROUP S.p.A. are responsible for the preparation of the company's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.



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We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2017 and their compliance with the applicable law and to express a statement on any material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of YOOX NET-A-PORTER GROUP S.p.A. at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the company and its environment obtained through our audit, we have nothing to report.

Milan, 7 March 2018

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director

Report of the Board of Statutory Auditors to the Shareholders' Meeting on the financial statements as at 31 December 2017 - consolidated financial statements as at 31 December 2017 (pursuant to Article 153 of Legislative Decree 58/1998 and Article 2429 of the Civil Code)

YOOX Net-A-Porter Group S.p.A.

Registered office via Morimondo, 17 - 20143 MILAN, Italy
Tax identification no. and Milan Company Register no 02050461207
Share capital Euro 1,347,935.99 fully paid in
<http://www.ynap.com>

Board of Statutory Auditors' Report

(Pursuant to Article 153-*bis* of Legislative
Decree 58/1998)

To the shareholders of Yoox Net A Porter Group S.p.A. (the "**Company**" or "**YNAP**")

Dear Shareholders,

This Board pursues its supervisory duties in accordance with the standards of conduct recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Council of Certified Public Accountants) and pursuant to Article 149 of Legislative Decree 58/1998 ("**TUIF**") and, insofar as the provisions that are applicable, the Italian Civil Code and the Consob communications regarding company audits and the activities of the Board of Statutory Auditors (in particular, Communication DEM/1025564 of 6 April 2001 as amended).

With regard to application criteria 8.C.I. of the Corporate Governance Code for Listed Companies (the "Corporate Governance Code"), insofar as the independence requirements incumbent upon the members of the Board of Statutory Auditors, we have verified that no one has, nor has had in the past, including indirectly, relations with the Company or individuals connected to the Company that would affect the independence of their judgement. The outcome of this verification is set forth in the Report on Corporate Governance and the Ownership Structures (the "**Corporate Governance Report**") prepared pursuant to Article 123-*bis* of the TUIF.

Each statutory auditor has furthermore complied with the limit regarding the accumulation of offices as required by Article 148-*bis* of the TUIF and the relative implementing law (Articles from 144-*duodecies* to 144-*quinquiesdecies* of Consob regulation 11971/99 ("**Issuers' Regulation**"), as required by the Articles of Association.

1. Monitoring of observance of the law and the Articles of Association

During the year there were 6 meetings of the Board of Directors, which we participated in and which were conducted in compliance with the rules of the Articles of Association, the law and the regulations that govern the operation thereof. During these meetings, the Directors provided information on the general performance of the Company and its outlook, the activities carried out

and the main transactions affecting the company's financial position and equity and/or that of its subsidiaries, pursuant to the procedures established within the Company's corporate governance rules. In referring you to their report on the main initiatives undertaken throughout the year, we can confirm that, to the best of our knowledge, these were based on the principles of managerial best practices and no issues arose in relation to imprudent or risky management practices.

2. Monitoring of compliance with management best practices

We monitored compliance with management best practices; the transactions resolved upon and implemented by the Board of Directors appear to be in full compliance with the law and the Articles of Association, do not conflict with resolutions passed by the Shareholders' Meeting and are based on management best practices.

In the Directors Report for 2017, the Directors present the transactions with a significant effect on the Company's income statement, balance sheet and financial position for the year. This Report complies with the existing laws and regulations and is consistent with the resolutions adopted by the Board of Directors, the separate and the consolidated financial statements and any events that occurred after the reporting year. The financial statements for the half year were disclosed as required by the law and the applicable regulations.

For YNAP, 2017 was mainly characterized by the continuation of the integration process of the activities of the former Net a Porter ("NAP") group and, in particular, the conclusion of the conversion into a single ERP (Enterprise Resource Planning) software, the launch of the first Online Flagship Store on the new front end platform and the migration of The Outnet to a single omni-stock platform for the off-season business line. The investments, which were mainly focused on information technology and the new logistics hub, reached €169 MLN.

During 2017, the Board of Directors assigned 954,000 options from the 2015-2025 Stock Options Plan. The relative details are provided in the Remuneration Report pursuant to Article 123-ter of the TUIF and 84-quater of the Issuers' Regulation, and the information document prepared pursuant to Article 84-bis of the Issuers' Regulation which you are referred to.

3. Monitoring of the adequacy of the organizational structure and the internal control system

We received information from the heads of each company department and where necessary, through direct investigations, and monitored the adequacy of the Company's organisational structure. We believe this structure to be appropriate in view of the characteristics of the Company and the YNAP Group as well as the business thereof.

We monitored the adequacy of the internal control system by (i) attending meetings of the Control and Risk Committee, (ii) examining the relevant reports and (iii) gathering information from the respective heads of departments and from (iv) the Independent Auditors and also by (v) examining

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the company documentation.

Based on these activities, we believe that this internal control system 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.

During the year, to ensure better coordination of all the corporate departments involved in the audit system, YNAP established a Compliance, Ethics and Risks Committee under the direct supervision of the Chief Financial and Corporate Officer.

In relation to 2017, and subsequently to the closure of the year, on 28 February 2018 the Board of Directors assessed the adequacy of the Internal Control and Risk Management system based on the information collected and with the support of the research work of the Control and Risks Committee. To this end, it has expressed its favourable opinion insofar as (i) the adequacy thereof, with account taken of the characteristics of the business and the risk profile assumed and (ii) its efficacy.

YNAP has adopted and subsequently updated and amended the organizational model required by Legislative Decree 231/2001 ("**Model 231**"), the purpose of which is to prevent the possibility of significant offences pursuant to said discipline and consequently the administrative liability of the Company.

The Supervisory Body ("**SB**"), which has been assigned the duty of monitoring correct operation of Model 231 and the updates thereof, periodically met with the Board of Statutory Auditors and its activity reports do not indicate any irregularities or specific violations of the Model itself.

4. Monitoring of the administrative, accounting system and financial disclosure process

The Board of Statutory Auditors, including in its capacity as the Internal Audit Committee and pursuant to the amendments made to our system pursuant to Legislative Decree 135/2016, assessed the adequacy of the administrative and accounting system insofar as correctly representing the operations and the efficacy of the risk management systems, including insofar as the financial information. In particular, we note that during 2017 the migration to the target information system for the NAP Group accounting was completed.

We verified the updating of the internal operating procedures regarding inside information pursuant to EU Regulation 596/2014 on market abuse and assessed the periodic information and communications to the public.

5. Procedures for implementation of the corporate governance rules

YNAP follows the Corporate Governance Code; the Board has monitored the actual procedures for implementation of the corporate governance rules provided therein and to this end refers you to the Corporate Governance Report.

The Board of Directors currently comprises eleven members, including seven independent directors. Pursuant to Article 3.C.5. of the Corporate Governance Code, we have monitored correct application of the criteria and assessment procedures adopted by the Board of Directors for evaluating the independence of the Directors, and their compliance with the provisions under point 3.C.1 therein.

During 2017, the Board of Statutory Auditors met seven times. Moreover: (i) six meetings of the Control and Risks Committee were held and were always attended by at least two members of the Board of Statutory Auditors; (ii) one meeting of the Remuneration Committee was held which was attended by at least one statutory auditor, (iii) one meeting of the Nominations Committee and (iv) one meeting of the Related-Parties Committee which was attended by one statutory auditor.

In 2017, the Board also issued its opinion as required by the law and the Corporate Governance Code: (i) pursuant to Article 2389 of the Italian Civil Code, (ii) regarding the updating of the related parties procedures (iii) regarding the annual audit plan.

Regarding the procedures applicable to Transactions with Related Parties, on 28 February of this year the Board of Directors updated the corporate procedure, which had been prepared pursuant to the Consob Regulations, as YNAP is no longer considered a smaller sized company. No transactions of major significance took place during the year.

In its meeting of 28 February of this year, the Board of Directors analysed the letter of the Chairman of the Corporate Governance Committee to all listed companies dated 13 December 2017 and assessed the overall adequacy of the governance structure including with regard to the points set forth in the latter.

6. Monitoring of the adequacy of the instructions given by the company to its subsidiaries pursuant to Article 114, paragraph 2.

We gained knowledge of and supervised, to the extent of our competence, the instructions given by the Company to its subsidiaries pursuant to Article 114, paragraph 2 of the TUIF, which appear to be adequate. We analysed the suitability of the company organisation and procedures adopted in terms of providing the Company with regular information on the income statements, balance sheets and financial positions of its subsidiaries.

7. Monitoring of the legal audit of the accounts

Pursuant to Article 19 of Legislative Decree 39/2010, in its capacity as the Internal Audit Committee, the Board of Statutory Auditors carried out the required monitoring of the operations of the audit firm KPMG S.p.A. (the “Auditors” or “KPMG”), meeting periodically with its representatives and exchanging information and data regarding the activities carried out, including pursuant to Article 150 of the TUIF. We were informed of no irregularities or issues requiring attention during those meetings.

We received from KPMG the information regarding the time schedule of their work and the consideration invoiced for the legal audit of the annual accounts and the consolidated financial statements as at 31 December 2017. The information regarding the consideration which is required by Article 149-*duodecies* of the Issuers' Regulation is provided in the financial statement file.

In 2017, the Board of Statutory Auditors approved certain assignments to companies belonging to the KPMG Network regarding services other than auditing, which are not included under the non-allowed services, pursuant to EU Regulation 537/2014.

In brief, these involve: (i) certification for the capital increase servicing the Stock Option Plan (€357k), (ii) support for determination of the transfer price between group warehouses, with the gap analysis of the non-financial declaration and the assessment procedures inherent in the internal audit system of the NAP Group (total consideration of €355k).

In the meeting called for the approval of the financial statements as at 31 December 2017, the mandate for (i) auditing of the annual separate and consolidated financial statements and (ii) the abbreviated audit of the half year financial statements, and (iii) the periodic audits of the accounting and the regular maintenance of the accounting records granted on 8 September 2009 to KPMG by the shareholders' meeting will expire.

Pursuant to the provisions of Legislative Decree 39/2010 and EU Regulation 537/2014, as the party in charge of selecting the new auditor, the Board has supervised all the phases of the process, including the preparation of the tender documents and the validation of the report on the conclusions. On 6 March 2018, we issued our recommendation, which we refer you to.

On 7 March 2018 KPMG issued its own audit reports on the separate and consolidated financial statements, which contain no comments or requests for information. We refer you to these, and underline that the relative text has changed considerably, with an increase in the information provided, following the amendments of the applicable regulations.

The Audit Firm also issued its opinion on (i) coherence with the financial statements and (ii) compliance with the law of the Directors Report and some specific information contained in the Corporate Governance Report.

Pursuant to Article 19 of Legislative Decree 39/2010, in its meeting of 16 March 2018, the Board (i)

informed the Board of Directors of the outcome of the legal audit and (ii) transmitted the "Additional Report" required pursuant to Article 11 of EU Regulation 537/2014, without observations.

Finally, on 7 March 2018 we received from KPMG the annual confirmation of independence pursuant to Article 6, paragraph 2 a) of EU Regulation 537/2014 and we analysed the risks relative to the independence of the audit firm and the measures adopted by it to limit the occurrence of such risks, also taking into account the assignments for non-audit services described above. During the year, no critical aspects regarding the independence of the audit firm emerged.

8. Separate and consolidated financial statements as at 31 December 2017 and declaration of a non-financial nature

The separate financial statements as at 31 December 2017, submitted for your approval, closed with a loss of Euro 69.7 million, while the consolidated financial statements show profit attributable to the Group of Euro 17.3 million.

The company has tested the goodwill recorded under balance sheet assets for impairment and no impairment was identified. The notes to the financial statements contained detailed information regarding the conditions and parameters underlying the impairment testing procedure, which was approved by the Board of Directors on 15 January 2018.

In the "Risk factors" section of the Directors Report, 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, financial and trade receivables/payables) as well as general risks.

The notes to the separate and consolidated financial statements contain details of the relationships between group companies and the relationships of the latter with related parties insofar as income and equity. These mainly refer to ordinary commercial transactions, carried out at arm's length, with the Richemont Group and the joint venture E-Lite S.p.A. with the Kering S.A. Group. The Board has ascertained that such transactions comply with the law and the Articles of Association, they 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.

The directors hereby declare, and the Board confirms, that to the best of their/its knowledge there were no atypical or unusual transactions.

Pursuant to Legislative Decree 254/2016 ("Decree 254") the Company has compiled the consolidated non-financial declaration, provided with the Directors Report. It was prepared in compliance with the Sustainability Reporting Guidelines ("GR14") of the Global Reporting Initiative and contains, where possible, comparative data from the previous year.

On 7 March 2018, KPMG issued certification regarding compliance of the information provided with the requirements of Decree 254 and the principles and methodology set forth in the GR14. We have monitored observance of Decree 254 and have no observations to make in this regard.

9. Events subsequent to reporting period and conclusions

On 22 January of this year, shareholder Compagnie Financière Richemont (“**Richemont**”) announced its voluntary takeover bid for the entire share capital consisting of the ordinary shares of YNAP. With regard to this transaction, the Board of Directors accepted to make an exception to the stand still restriction which Richemont was subject to pursuant to the agreement concluded between YNAP, Richemont and other entities on 31 March 2015.

On 16 March 2018, in the absence of the Directors representing Richemont, the Board of Directors approved the communication pursuant to Article 103 of the TUIF with the support of the advisor BOFA Merrill Lynch and Mediobanca. The relative text is available to the public.

During 2017, there were no transactions by the Company involving its treasury shares.

No claims pursuant to Article 2408 of the Italian Civil Code or statements by third parties or other complaints were received. Our supervisory activities were conducted throughout the financial year 2017. No omissions, reprehensible circumstances or irregularities emerged requiring mention in this report, nor have we any recommendations to make, pursuant to Article 153, second paragraph of the TUIF.

The undersigned Board of Statutory Auditors was appointed by the Shareholders' Meeting of 30 April 2015 and the appointment expires at the meeting called for the approval of the financial statements as at 31 December 2017. The shareholders are hereby invited to deliberate in this regard.

Milan, 23 March 2018

Marco Maria Fumagalli - Chairman

Giovanni Naccarato - Standing Auditor

Patrizia Arienti - Standing Auditor

