



YOOX GROUP

**DIRECTORS' REPORT
ON THE SOLE ITEM OF THE AGENDA**

**ORDINARY SHAREHOLDERS' MEETING
21 July 2015, single call**

**DIRECTORS' REPORT
PURSUANT TO ARTICLE 125-TER OF LEGISLATIVE DECREE 58/1998 AS AMENDED AND
SUPPLEMENTED**

Revision of the number of directors and appointment of three new board members; all of which enter into force on the effective date for third parties of the merger by absorption into YOOX S.p.A. of Largentia Italia S.p.A.. Related and consequent resolutions.

Dear Shareholders,

You have been convened to a Shareholders' Meeting to vote, during the ordinary session, on the revision of the number of members of the Company's management body - from 7 to 10 directors - and to appoint the directors who will complete the enlarged Board of Directors.

This amendment to the current structure of the management body forms part of the business combination of the assets of YOOX S.p.A. ("**YOOX**" or the "**Company**") with that of The Net-A-Porter Group Limited ("**NAP**"), an English registered company indirectly controlled by Compagnie Financière Richemont S.A. ("**Richemont**"), also through Richemont Holdings (UK) Limited ("**RH**"), which operates in the same industry as YOOX's, on the basis of mutual undertakings governed by a merger agreement (the "**Merger Agreement**") signed on 31 March 2015 between YOOX, of the one part, and Richemont and RH, of the other part, and amended by the parties through an amendment agreement signed on 24 April 2015 (the "**Amendment Agreement**").

The transaction is structured as a merger by absorption (the "**Merger**") into YOOX of Largentia Italia S.p.A. (formerly Deal S.r.l.) ⁽¹⁾, ("**Largentia Italia**"), a recently established non-operating company. On the effective date of the Merger, Largentia Italia will indirectly control NAP. In this regard, note that the Merger plan was approved by the Boards of Directors of Largentia Italia and YOOX on 23 April 2015 and 24 April 2015 respectively, and will be submitted for approval to the Shareholders' Meeting of YOOX as first item on the agenda for the extraordinary session.

For additional information on the Merger and on the underlying reasons for such transaction, refer to the report of the Company's Board of Directors prepared pursuant to Article 2501-*quinquies* of the Italian Civil Code, Article 125-*ter* of Legislative Decree 58/1998 (the "**TUF**") and Article 70 of Consob Regulation 11971/1999 as amended, published on the Company's website (www.yooxgroup.com) (Section Governance / Shareholders' Meeting), and filed with the storage system "eMarket Storage".

The Merger Agreement includes, among other things, provisions concerning the structure of YOOX's Board of Directors post-Merger, and provides, in particular, that the same Shareholders' Meeting convened to approve the Merger shall also resolve upon the revision of the number of members of the Board of Directors and the appointment of three new board members (to remain in office until the approval of the yearly financial statements as at 31 December 2017 by the Company's ordinary Shareholders' Meeting) in order to provide the Company with a management body consisting of 10 board members structured as follows:

- (i) n. 7 members appointed by the Shareholders' Meeting of YOOX held on 30 April 2015, five of whom fulfil the requirements to be considered independent pursuant to Article 148, paragraph 3, of Legislative Decree 58/98 as amended (the "**TUF**");
- (ii) n. 2 additional members are designated (directly or indirectly) by Richemont, who - pursuant to the Merger Agreement- shall be Messrs. Richard Lepeu and Gary Saage; and

⁽¹⁾ Formerly Deal S.r.l. and renamed following the resolution to convert the company into a company limited by shares and to change its name, adopted by the Shareholders' Meeting on 23 April 2015 and registered with the Milan Companies Register on 27 April 2015.

(iii) Ms. Natalie Massenet, who will hold the capacity of executive chairman of the Board of Directors.

The Merger Agreement specifies that such proposal to revise the number of members of the Board of Directors and the proposal to appoint the new directors must be submitted for approval to the same Shareholders' Meeting convened to approve the Merger, it being understood that these resolutions will come into effect, if approved, on the effective date of the Merger, and that their approval is not a condition for the effectiveness of the Merger.

In addition, the Merger Agreement, as amended on this point by the Amendment Agreement, specifies that a subsequent Ordinary Shareholders' Meeting of YOOX (to be held no later than 45 days after the Merger is effective) must resolve upon a further revision of the number of members of the Board of Directors in order to provide the Company (until the approval of the annual financial statements as at 31 December 2017 by the Company's Ordinary Shareholders' Meeting) with a management body consisting of 12 to 14 directors, through the appointment of a minimum of 2 and a maximum of 4 additional directors fulfilling the requirements to be considered independent pursuant to Article 148, paragraph 3 of TUF, ensuring in the Board of Directors a number of independent directors at least equal to 50% of its members. Through its Board of Directors, YOOX will determine the number and identity of these members, and Richemont may provide comments on YOOX's choices.

The revision of the number of members of the Board of Directors and appointment of new board members, while required for implementing the corresponding provisions of the Merger Agreement, are also aimed at providing the Company with a management body capable of creating value for shareholders in view of the greater complexity deriving from the combination of the businesses and companies resulting from the Merger, through the inclusion of directors with professional profiles consistent with the strong international presence of the resulting combined entity and the dynamics that characterise it.

Note in this regard that pursuant to Article 14 of the Bylaws, the appointment of additional board members of the Board of Directors does not require, in any case, the application of the slate-based voting procedure. Thus, the Ordinary Shareholders' Meeting will resolve upon this item with the application of the ordinary majorities set by law.

In addition, it is also noted that: (i) in accordance with the above mentioned Article 14 of the bylaws, at least 5 and no more than 15 members shall sit in Your Company's Board of Directors; and (ii) the Board currently in office, which was appointed by the Shareholders' Meeting held on 30 April 2015, consists of 7 board members, and its term will expire on the date of the approval of the annual financial statements as at 31 December 2017.

The proposal being submitted to Your approval concerns the increase in the number of members of the Board of Directors from 7 to 10, thus within the maximum number of directors established by the bylaws in force, as well as the appointment of the three new board members who will remain in office until the natural lapse of the term of the management body currently in office.

The Board of Directors has voted to submit to the Ordinary Shareholders' Meeting a proposal to complete the Board of Directors under these terms by appointing the candidates indicated below:

1. Richard Lepeu, born in Paris, on 1 April 1952. Richard Lepeu has been a member of Richemont's Board of Directors since 2004, and has been its co-CEO since 2013. Mr. Lepeu obtained degrees at the Institut d'Etudes Politiques de Paris and at the Universite de

Sciences Economiques de Paris X. He started his career at Cartier in 1979 and became the COO of Richemont in 2001.

2. Gary Saage, born in New Jersey (United States), on 10 June 1960. Gary Saage has been a member of the Richemont Board of Directors since 2010. Mr. Saage received a degree at Fairleigh Dickinson University in the US. He began his career at Cartier in the US in 1988. From 1988 to 2006 he was COO of Richemont North America and Alfred Dunhill in London. At present, he is still chairman of Richemont North America and a member of the Board of Directors of NAP and Peter Millar LLC.
3. Natalie Massenet, born in Los Angeles, California (United States), on 13 May 1965. Natalie Massenet is the executive chairman and founder of NAP. She received a degree in English literature at the University of California, Los Angeles. She founded NAP in 2000. She has also been chairman of the British Fashion Council since 2013, and in 2009 became an MBE (Member of the British Empire) for services rendered in the fashion sector.

The complete *curricula vitae* for the proposed candidates, together with the documentation required by applicable law and regulation, will be made available to the public at the registered offices and on the Company's website (www.yooxgroup.com) (Section Governance / Shareholders' Meeting).

Please note that, notwithstanding the increased number of directors, the Board has considered appropriate not to modify the comprehensive compensation for the management body, as determined by the Shareholders' Meeting held on 30 April 2015. To this regard, please note that such Shareholders' Meeting fixed the comprehensive annual compensation in the amount of EUR 680,000.00 to be paid to the Board of Directors for the term of its appointment, in addition to the reimbursement of expenses incurred in the performance of the directors' duties, and to be split by the Board, in addition to the reimbursement of expenses incurred in the performance of their duties, with the exception, in any case, of the remuneration of directors in charge of special assignments and compensation for any extraordinary assignments.

If you agree with this proposal, we ask you to approve the following resolutions:

- (a) As an amendment to the resolution of the Ordinary Shareholders' Meeting of 30 April 2015, to set the number of members of the Board of Directors at ten. These members will remain in office until the Shareholders' Meeting convened to approve the financial statements as at 31 December 2017;
- (b) To appoint the candidates below as directors:
 1. Richard Lepeu, born in Paris, on 1 April 1952;
 2. Gary Saage, born in New Jersey (United States), on 10 June 1960
 3. Natalie Massenet, born in Los Angeles, California (United States), on 13 May 1965;

it is understood that the effectiveness of the resolutions under items (a) and (b) above remains subject to the effectiveness of the merger by absorption into YOOX S.p.A. of Largentia Italia S.p.A. (formerly Deal S.r.l.) and will have effects from the effectiveness of such merger.

Milan, 24 April 2015
Updated on 17 June 2015

For the Board of Directors
Chief Executive Officer
Federico Marchetti