FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report
for the transition period from _________ to _________

Commission file number 001-38655

Farfetch Limited
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant’s name into English)

Cayman Islands
(Jurisdiction of incorporation or organization)

The Bower, 211 Old Street
London EC1V 9NR, United Kingdom
(Address of principal executive offices)

James L. Maynard
General Counsel & Senior Vice President Group Legal
Telephone: +44 (0) 20 7549 5400
Farfetch Limited
The Bower, 211 Old Street
London EC1V 9NR, United Kingdom
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)
Securities registered or to be registered, pursuant to Section 12(b) of the Act

<table>
<thead>
<tr>
<th>Title of each class</th>
<th>Name of each exchange on which registered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A ordinary shares, par value $0.04 per share</td>
<td>New York Stock Exchange</td>
</tr>
</tbody>
</table>

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer’s classes of capital stock or common stock as of the close of business covered by the annual report. 256,998,920 Class A ordinary shares and 42,858,080 Class B ordinary shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☒ No ☐

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If “Other” has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
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PART III

Item 17. Financial Statements

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SIGNATURES

FINANCIAL STATEMENTS
We report under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”). None of the financial statements were prepared in accordance with generally accepted accounting principles in the United States (“U.S.”). We have historically conducted our business through Farfetch.com Limited and its subsidiaries (“Farfetch.com”), a company incorporated under the laws of the Isle of Man. In connection with our initial public offering consummated on September 25, 2018 (our “IPO”), we carried out reorganization transactions (the “Reorganization Transactions”) whereby Farfetch.com became a wholly owned subsidiary of Farfetch Limited, an exempted company incorporated with limited liability under the Companies Law (2018 Revision) of the Cayman Islands, as amended and restated from time to time (the “Companies Law”). Following the Reorganization Transactions, our business is conducted through Farfetch Limited and its subsidiaries. For additional information about the Reorganization Transactions, see Item 4. “Information on the Company — A. History and Development of the Company — The Reorganization Transactions.”

General Information

Our consolidated financial statements are reported in U.S. Dollars, which are denoted “dollars,” “USD” or “$” throughout this Annual Report (as defined below). Also, throughout this Annual Report:

- except where the context otherwise requires or where otherwise indicated, the terms “Farfetch,” the “Company,” “we,” “us,” “our,” “our company” and “our business” refer, prior to the Reorganization Transactions, to Farfetch.com and, after the Reorganization Transactions, to Farfetch Limited, in each case together with its consolidated subsidiaries as a consolidated entity;
- the terms “€” or “euro” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended; and
- the terms “pound sterling” or “£” refer to the legal currency of the United Kingdom (“UK”).

Key Terms and Performance Indicators Used in this Annual Report

Throughout this Annual Report, we use a number of key terms and provide a number of key performance indicators used by management. These performance indicators are discussed in more detail in Item 3. “Key Information — A. Selected Financial Data.”

Additionally, we use other terms in this Annual Report specific to us and our industry, which are defined as follows:

- “API” means our application programming interfaces that enable third parties to connect with our platform.
- “Articles” means our amended and restated memorandum and articles of association.
- “brands” means the brands with whom we have a direct contractual relationship to display and sell their products on the Farfetch Marketplace. Please refer to the definition of “Retailers” below for the difference between “brands” and “retailers,” both of which are a source of supply on the Farfetch Marketplace.
- “Farfetch Black & White” means Farfetch Black & White Solutions, our comprehensive modular white-label business to business e-commerce solution for brands and retailers.
- “Farfetch Marketplace,” or our “Marketplace,” is as defined in Item 4. “Information on the Company — B. Business Overview.”
- “Farfetcher” means an employee of Farfetch.
- “first-party sales” means sales on our platform of inventory directly purchased by us.
- “Group” means Farfetch Limited and its consolidated subsidiaries.
• “luxury sellers” means the retailers and brands with whom we have a direct contractual relationship to display and sell their products on the Farfetch Marketplace.

• “Marketplace consumer” means a consumer who has completed a purchase on the Farfetch Marketplace.

• “Millennial” means a person born in the years 1980 to 1994. Millennials are also referred to as “Generation Y.”

• “our consumer” means a person who browses and/or purchases luxury fashion products on the Farfetch Marketplace.

• “retailers” means the boutiques and department stores with whom we have a direct contractual relationship to display and sell their products on the Farfetch Marketplace. Retailers buy wholesale from multiple luxury brands to then sell to the end consumer. Brands (1) sell wholesale to retailers; (2) operate concessions within the offline and online stores of retailers; and/or (3) sell to consumers directly through a mono-brand store or website. Both “brands” and “retailers” sell via the Farfetch Marketplace, but the distinction is not apparent to our consumer.

• “stock value” means the combined amount of all stock units available on our Marketplace multiplied by each item’s retail unit price.

• “Third-Party Take Rate” means Platform Services Revenue excluding revenue from first-party sales, as a percentage of GMV excluding GMV from first-party sales and Platform Fulfilment Revenue. Revenue from first-party sales, which is equal to GMV from first-party sales, means revenue derived from sales on our platform of inventory purchased by us.
This Annual Report on Form 20-F (“Annual Report”) contains statements that constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are neither historical facts nor assurances of future performance. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to numerous risks and uncertainties some of which are beyond our control, and are made in light of information currently available to us.

In some cases, these forward-looking statements can be identified by words or phrases such as “believe,” “may,” “will,” “expect,” “estimate,” “could,” “should,” “anticipate,” “aim,” “intend,” “plan,” “potential,” “continue,” “is/are likely to” or other similar expressions. Forward-looking statements contained in this Annual Report include, but are not limited to, statements about:

- our future financial performance, including our revenue, operating expenses and our ability to maintain profitability and our future business and operating results;
- our strategies, plans, objectives and goals; and
- our expectations regarding the development of our industry, market size and the competitive environment in which we operate.

These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in Item 3. “Key Information — D. Risk Factors” of this Annual Report, including, but not limited to, the following:

- purchasers of luxury products may not choose to shop online in sufficient numbers;
- our ability to generate sufficient revenue to be profitable or to generate positive cash flow on a sustained basis;
- the volatility and difficulty in predicting the luxury fashion industry;
- our reliance on a limited number of retailers and brands for the supply of products on our Marketplace;
- our reliance on retailers and brands to anticipate, identify and respond quickly to new and changing fashion trends, consumer preferences and other factors;
- our reliance on retailers and brands to make products available to our consumers on our Marketplace and to set their own prices for such products;
- fluctuations in exchange rates;
- our reliance on information technologies and our ability to adapt to technological developments;
- our ability to acquire or retain consumers and to promote and sustain the Farfetch brand;
- our ability or the ability of third parties to protect our sites, networks and systems against security breaches, or otherwise to protect our confidential information;
- our ability to successfully launch and monetize new and innovative technology;
- our dependence on highly skilled personnel, including our senior management, data scientists and technology professionals, and our ability to hire, retain and motivate qualified personnel; and
- José Neves, our chief executive officer and Co-Chair of our Board, has considerable influence over important corporate matters due to his ownership of us, and our dual-class voting structure will limit your ability to influence corporate matters, including a change of control.

The forward-looking statements contained in this Annual Report speak only as of the date of this Annual Report. Except as required by law, we do not undertake to update any forward-looking statement to reflect events or circumstances after that date or to reflect the occurrence of unanticipated events. You should read this Annual Report and the documents that we reference herein and have filed as exhibits hereto completely and with the understanding that our actual future results may be materially different from what we expect.
Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

We prepare our consolidated financial statements in accordance with IFRS as issued by the IASB.

The following selected historical consolidated financial data as of and for the years ended December 31, 2016, 2017, and 2018 and for year ended December 31, 2015 has been derived from our audited consolidated financial statements and the notes thereto (our audited consolidated financial statements as of December 31, 2016 and for the fiscal year ended December 31, 2015 are not included in this Annual Report). Our historical results for any prior period are not necessarily indicative of results expected in any future period.

We have historically conducted our business through Farfetch.com and, therefore, our historical financial statements prior to the Reorganization Transactions reflect the result of operations of Farfetch.com and, following the Reorganization Transactions, reflect the results of operations of Farfetch Limited. Farfetch Limited’s financial statements are the same as Farfetch.com’s financial statements, as adjusted for the Reorganization Transactions. Following the Reorganization Transactions, we have retroactively reflected the Reorganization Transactions in Farfetch Limited’s financial statements.
The financial data set forth below should be read in conjunction with, and are qualified by reference to Item 5. “Operating and Financial Review and Prospects” and the audited consolidated financial statements and notes thereto included elsewhere in this Annual Report. Our historical results for any prior period do not necessarily indicate our results to be expected for any future period.

### Consolidated Statement of Operations Data:

<table>
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<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$142,305</td>
<td>$242,116</td>
<td>$385,966</td>
<td>$602,384</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>(69,702)</td>
<td>(125,238)</td>
<td>(181,200)</td>
<td>(303,934)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>72,603</td>
<td>116,878</td>
<td>204,766</td>
<td>298,450</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(130,073)</td>
<td>(205,558)</td>
<td>(299,260)</td>
<td>(471,766)</td>
</tr>
<tr>
<td>Share of profits of associates</td>
<td>-</td>
<td>18</td>
<td>31</td>
<td>33</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(57,470)</td>
<td>(88,662)</td>
<td>(94,463)</td>
<td>(173,283)</td>
</tr>
<tr>
<td>Net finance (costs)/ income</td>
<td>(4,265)</td>
<td>7,402</td>
<td>(17,642)</td>
<td>19,866</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(61,735)</td>
<td>(81,260)</td>
<td>(112,105)</td>
<td>(153,417)</td>
</tr>
<tr>
<td>Income tax credit/(expense)</td>
<td>628</td>
<td>(199)</td>
<td>(170)</td>
<td>(2,158)</td>
</tr>
<tr>
<td>Loss after tax</td>
<td>$ (61,107)</td>
<td>$ (81,459)</td>
<td>$ (112,275)</td>
<td>$ (155,575)</td>
</tr>
</tbody>
</table>

Loss per share attributable to owners of the parent:

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic and diluted</td>
<td>$ (0.35)</td>
<td>$ (0.43)</td>
</tr>
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Weighted average shares outstanding:

<table>
<thead>
<tr>
<th></th>
<th>Basic and diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic and diluted</td>
<td>171,929,007</td>
</tr>
<tr>
<td></td>
<td>188,679,490</td>
</tr>
<tr>
<td></td>
<td>223,465,734</td>
</tr>
<tr>
<td></td>
<td>264,432,214</td>
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### Consolidated Statement of Cash Flow Data:

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<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
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<td>Net cash outflow from operating activities</td>
<td>$ (37,258)</td>
<td>$ (47,079)</td>
<td>$ (59,320)</td>
</tr>
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<td>Net cash outflow from investing activities</td>
<td>(27,571)</td>
<td>(16,961)</td>
<td>(28,863)</td>
</tr>
<tr>
<td>Net cash inflow from financing activities</td>
<td>$ 77,414</td>
<td>$ 161,173</td>
<td>$ 300,142</td>
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</table>

### Consolidated Statement of Financial Position Data:

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<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
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<tr>
<td>Non-current assets</td>
<td>$ 64,128</td>
<td>$ 110,266</td>
<td>$ 151,983</td>
</tr>
<tr>
<td>Current assets</td>
<td>180,904</td>
<td>452,792</td>
<td>1,199,410</td>
</tr>
<tr>
<td>Total assets</td>
<td>245,032</td>
<td>563,058</td>
<td>1,351,393</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>89,425</td>
<td>155,890</td>
<td>194,158</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>36,691</td>
<td>10,265</td>
<td>28,804</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>126,116</td>
<td>166,155</td>
<td>222,962</td>
</tr>
<tr>
<td>Share capital and premium</td>
<td>348,832</td>
<td>686,972</td>
<td>784,294</td>
</tr>
<tr>
<td>Total equity</td>
<td>$ 118,916</td>
<td>$ 396,903</td>
<td>$ 1,128,431</td>
</tr>
</tbody>
</table>
Year ended December 31,

Selected Other Data(1):

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Group:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GMV</td>
<td>$381,809</td>
<td>$585,842</td>
<td>$909,826</td>
<td>$1,407,698</td>
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<tr>
<td>Revenue</td>
<td>142,305</td>
<td>242,116</td>
<td>385,966</td>
<td>602,384</td>
</tr>
<tr>
<td>Adjusted Revenue (1)</td>
<td>113,688</td>
<td>193,605</td>
<td>311,784</td>
<td>504,590</td>
</tr>
<tr>
<td>Adjusted EBITDA (1)</td>
<td>(47,375)</td>
<td>(53,380)</td>
<td>(58,079)</td>
<td>(95,960)</td>
</tr>
<tr>
<td>Adjusted EBITDA Margin (1)</td>
<td>(41.7%)</td>
<td>(27.6%)</td>
<td>(18.6%)</td>
<td>(19.0%)</td>
</tr>
<tr>
<td><strong>Platform:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Platform GMV</td>
<td>$374,915</td>
<td>$573,174</td>
<td>$894,392</td>
<td>$1,392,104</td>
</tr>
<tr>
<td>Platform Services Revenue (1)</td>
<td>106,794</td>
<td>180,937</td>
<td>296,350</td>
<td>488,995</td>
</tr>
<tr>
<td>Platform Gross Profit (1)</td>
<td>69,355</td>
<td>111,762</td>
<td>196,581</td>
<td>291,706</td>
</tr>
<tr>
<td>Platform Order Contribution Margin (1)</td>
<td>33.0%</td>
<td>35.0%</td>
<td>43.0%</td>
<td>39.8%</td>
</tr>
<tr>
<td>Third-Party Take Rate</td>
<td>30.0%</td>
<td>31.3%</td>
<td>32.9%</td>
<td>32.0%</td>
</tr>
<tr>
<td><strong>Farfetch Marketplace:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Active Consumers</td>
<td>415.7</td>
<td>651.7</td>
<td>935.8</td>
<td>1,353.4</td>
</tr>
<tr>
<td>Number of orders</td>
<td>800.5</td>
<td>1,259.7</td>
<td>1,881.0</td>
<td>2,913.0</td>
</tr>
<tr>
<td>Average Order Value (actual)</td>
<td>$586.8</td>
<td>$583.6</td>
<td>$620.0</td>
<td>$618.6</td>
</tr>
</tbody>
</table>

(1) See “Non-IFRS and Other Financial and Operating Metrics” below.

Non-IFRS and Other Financial and Operating Metrics

We have included in this Annual Report certain financial measures and metrics not based on IFRS, including Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Revenue, Platform Services Revenue, Platform Gross Profit, Platform Order Contribution and Platform Order Contribution Margin, as well as operating metrics, including GMV, Platform GMV, Active Consumers, Number of Orders and Average Order Value.

Management uses Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Revenue, Platform Services Revenue, Platform Gross Profit, Platform Order Contribution, and Platform Order Contribution Margin:

• as measurements of operating performance because they assist us in comparing our operating performance on a consistent basis, as they remove the impact of items not directly resulting from our core operations;

• for planning purposes, including the preparation of our internal annual operating budget and financial projections;

• to evaluate the performance and effectiveness of our strategic initiatives; and

• to evaluate our capacity to fund capital expenditures and expand our business.

Adjusted EBITDA, Adjusted Revenue and Platform Services Revenue may not be comparable to similar measures disclosed by other companies, because not all companies and analysts calculate Adjusted EBITDA and Adjusted Revenue in the same manner. We present Adjusted EBITDA, Adjusted Revenue and Platform Services Revenue because we consider them to be important supplemental measures of our performance, and we believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies. Management believes that investors’ understanding of our performance is enhanced by including these non-IFRS financial measures as a reasonable basis for comparing our ongoing results of operations. Many investors are interested in understanding the performance of our business by comparing our results from ongoing operations period over period and would ordinarily add back non-cash expenses such as depreciation, amortization and items that are not part of normal day-to-day operations of our business. By providing these non-IFRS financial measures, together with reconciliations to IFRS, we believe we are enhancing investors’ understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing our strategic initiatives.
We believe that Platform Gross Profit, Adjusted Platform Gross Profit Margin, Platform Order Contribution and Platform Order Contribution Margin are useful measures in evaluating our operating performance because they take into account demand generation expense and are used by management to analyze the operating performance of our platform for the periods presented. We also believe that Platform Gross Profit, Adjusted Platform Gross Profit Margin, Platform Order Contribution and Platform Order Contribution Margin are useful measures in evaluating our operating performance within our industry because they permit the evaluation of our platform productivity, efficiency and performance.

Items excluded from these non-IFRS measures are significant components in understanding and assessing financial performance. Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Revenue and Platform Services Revenue have limitations as analytical tools and should not be considered in isolation, or as an alternative to, or a substitute for loss after tax, revenue or other financial statement data presented in our consolidated financial statements as indicators of financial performance. Some of the limitations are:

- such measures do not reflect revenue related to fulfilment, which is necessary to the operation of our business;
- such measures do not reflect our expenditures, or future requirements for capital expenditures or contractual commitments;
- such measures do not reflect changes in our working capital needs;
- such measures do not reflect our share based payments, income tax (credit)/expense or the amounts necessary to pay our taxes;
- although depreciation and amortization are eliminated in the calculation of Adjusted EBITDA, the assets being depreciated and amortized will often have to be replaced in the future and such measures do not reflect any costs for such replacements; and
- other companies may calculate such measures differently than we do, limiting their usefulness as comparative measures.

Due to these limitations, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Revenue and Platform Services Revenue should not be considered as measures of discretionary cash available to us to invest in the growth of our business and are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with IFRS. In addition, the non-IFRS financial measures we use may differ from the non-IFRS financial measures used by other companies and are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. Furthermore, not all companies or analysts may calculate similarly titled measures in the same manner. We compensate for these limitations by relying primarily on our IFRS results and using these non-IFRS measures only as supplemental measures.

We define our non-IFRS and other financial and operating metrics as follows:

**“Active Consumers”** means active consumers on the Farfetch Marketplace. A consumer is deemed to be active if they made a purchase on the Farfetch Marketplace within the last 12-month period, irrespective of cancellations or returns. The number of Active Consumers is an indicator of our ability to attract and retain an increasingly large consumer base to our platform and of our ability to convert platform visits into sale orders.

**“Adjusted EBITDA”** means loss after taxes before net finance costs/(income), income tax (credit)/expense and depreciation and amortization, further adjusted for share based compensation expense, other items (represents items outside the normal scope of our ordinary activities) and share of results of associates. Adjusted EBITDA provides a basis for comparison of our business operations between current, past and future periods by excluding items that we do not believe are indicative of our core operating performance. Adjusted EBITDA may not be comparable to other similarly titled metrics of others.

**“Adjusted EBITDA Margin”** means Adjusted EBITDA calculated as a percentage of Adjusted Revenue.

**“Adjusted Revenue”** means revenue less Platform Fulfilment Revenue.
“Average Order Value” ("AOV") means the average value of all orders placed on the Farfetch Marketplace excluding value added taxes.

“Gross Merchandise Value” ("GMV") means the total dollar value of orders processed. GMV across our platform is inclusive of product value, shipping and duty. It is net of returns, value added taxes and cancellations. GMV does not represent revenue earned by us, although GMV and revenue are correlated.

“In-Store Revenue” means revenue generated in our Browns retail stores.


“Number of Orders” means the total number of consumer orders placed on the Farfetch Marketplace, gross of returns and net of cancellations, in a particular period. An order is counted on the day the consumer places the order. The Number of Orders represents an indicator of our ability to generate sales opportunities for luxury sellers through our Marketplace. Analyzed in the context of Active Consumers, the Number of Orders provides an indicator of our ability to attract recurring purchases on our platform and also the effectiveness of our targeted advertising.

“Platform Fulfilment Revenue” means revenue from shipping and customs clearing services that we provide to our consumers, net of consumer promotional incentives, such as free shipping and promotional codes.

“Platform GMV” means GMV excluding In-Store Revenue.

“Platform Gross Profit” means gross profit excluding In-Store Gross Profit.

“Platform Order Contribution” means gross profit after deducting demand generation expense, which includes fees that we pay for our various marketing channels. Platform Order Contribution provides an indicator of our ability to extract consumer value from our demand generation expense, including the costs of retaining existing consumers and our ability to acquire new consumers.

“Platform Order Contribution Margin” means Platform Order Contribution calculated as a percentage of Platform Services Revenue.

“Platform Services Revenue” means Adjusted Revenue less In-Store Revenue. Platform Services Revenue is driven by our Platform GMV, including revenue from first-party sales, and commission from third-party sales. The revenue realized from first-party sales is equal to the GMV of such sales because we act as principal in these transactions, and thus related sales are not commission based. Platform Services Revenue was also referred to as Adjusted Platform Revenue in previous filings with the Securities and Exchange Commission (“SEC”).
The following table reconciles Adjusted EBITDA to the most directly comparable IFRS financial measure, which is loss after tax:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss after tax</td>
<td>$(61,107)</td>
<td>$(81,459)</td>
<td>$(112,275)</td>
<td>$(155,575)</td>
</tr>
<tr>
<td>Net finance costs/(income)</td>
<td>4,265</td>
<td>(7,402)</td>
<td>17,642</td>
<td>(19,866)</td>
</tr>
<tr>
<td>Income tax (credit)/ expense</td>
<td>(628)</td>
<td>199</td>
<td>170</td>
<td>2,158</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3,104</td>
<td>6,897</td>
<td>10,980</td>
<td>23,537</td>
</tr>
<tr>
<td>Share-based payments(a)</td>
<td>6,505</td>
<td>19,848</td>
<td>21,486</td>
<td>53,819</td>
</tr>
<tr>
<td>Other items(b)</td>
<td>486</td>
<td>8,555</td>
<td>3,949</td>
<td>-</td>
</tr>
<tr>
<td>Share of results of associates</td>
<td>-</td>
<td>(18)</td>
<td>(31)</td>
<td>(33)</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$(47,375)</td>
<td>$53,380</td>
<td>$(58,079)</td>
<td>$(95,960)</td>
</tr>
</tbody>
</table>

(a) Represents share-based payment expense.
(b) Represents other items, which are outside the normal scope of our ordinary activities or non-cash, including legal fees directly related to acquisitions of $0.7 Million in 2017 and fair value remeasurement of contingent consideration of $8.5 million in 2016 and $3.3 million in 2017, all of which are included within the general and administrative component of selling, general and administrative expenses.

The following table reconciles Adjusted Revenue and Platform Services Revenue to the most directly comparable IFRS financial performance measure, which is revenue:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$142,305</td>
<td>$242,116</td>
<td>$385,966</td>
<td>$602,384</td>
</tr>
<tr>
<td>Less: Platform Fulfilment Revenue</td>
<td>(28,617)</td>
<td>(48,511)</td>
<td>(74,182)</td>
<td>(97,794)</td>
</tr>
<tr>
<td>Adjusted Revenue</td>
<td>113,688</td>
<td>193,605</td>
<td>311,784</td>
<td>504,590</td>
</tr>
<tr>
<td>Less: In-Store Revenue</td>
<td>(6,894)</td>
<td>(12,668)</td>
<td>(15,434)</td>
<td>(15,595)</td>
</tr>
<tr>
<td>Platform Services Revenue</td>
<td>$106,794</td>
<td>$180,937</td>
<td>$296,350</td>
<td>$488,995</td>
</tr>
</tbody>
</table>

The following table reconciles Platform Gross Profit and Platform Order Contribution to the most directly comparable IFRS financial performance measure, which is gross profit:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>$72,603</td>
<td>$116,878</td>
<td>$204,766</td>
<td>$298,450</td>
</tr>
<tr>
<td>Less: In-Store Gross Profit(a)</td>
<td>(3,248)</td>
<td>(5,116)</td>
<td>(8,185)</td>
<td>(6,744)</td>
</tr>
<tr>
<td>Platform Gross Profit</td>
<td>69,355</td>
<td>111,762</td>
<td>196,581</td>
<td>291,706</td>
</tr>
<tr>
<td>Less: Demand generation expense</td>
<td>(34,158)</td>
<td>(48,381)</td>
<td>(69,202)</td>
<td>(97,295)</td>
</tr>
<tr>
<td>Platform Order Contribution</td>
<td>$35,197</td>
<td>$63,381</td>
<td>$127,379</td>
<td>$194,411</td>
</tr>
</tbody>
</table>

(a) In-Store Gross Profit is In-Store Revenue less the direct cost of goods sold relating to In-Store Revenue.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.
D. Risk Factors

An investment in our Class A ordinary shares involves a high degree of risk. You should carefully consider the risks and uncertainty described below, together with all of the other information in this Annual Report, including our consolidated financial statements and related notes, before deciding to invest in our Class A ordinary shares. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price and value of our Class A ordinary shares could decline due to any of these risks, and you may lose all or part of your investment.

Risks Relating to our Business and Industry

Purchasers of luxury products may not choose to shop online, which would prevent us from growing our business.

Our success will depend, in part, on our ability to attract additional consumers who have historically purchased luxury products through traditional retailers rather than online. The online market for luxury products is significantly less developed than the online market for other goods and services such as books, music, travel and other consumer products. If this market does not gain widespread acceptance, our business may suffer. Furthermore, we may have to incur significantly higher and more sustained advertising and promotional expenditures or offer more incentives than we currently anticipate in order to attract additional online consumers to our Marketplace and convert them into purchasing consumers. Specific factors that could prevent consumers from purchasing luxury products from us include:

• concerns about buying luxury products online without a physical storefront, face to face interaction with sales personnel and the ability to physically handle and examine products;
• preference for a more personal experience when purchasing luxury products;
• product offerings that do not reflect current consumer tastes and preferences;
• pricing that does not meet consumer expectations;
• delayed shipments or shipments of incorrect or damaged products;
• inconvenience and costs associated with returning or exchanging items purchased online;
• concerns about the security of online transactions and the privacy of personal information; and
• usability, functionality and features of our Marketplace.

If the online market for luxury products does not continue to develop and grow, our business will not grow and our results of operations, financial condition and prospects could be materially adversely affected.

We may not be able to generate sufficient revenue to be profitable or to generate positive cash flow on a sustained basis, and our revenue growth rate may decline.

We cannot assure you that we will generate sufficient revenue to offset the cost of maintaining our platform and maintaining and growing our business. Although our revenue grew from $386.0 million for the fiscal year ended December 31, 2017 to $602.4 million for the fiscal year ended December 31, 2018, our revenue growth rate may decline in the future because of a variety of factors, including increased competition and the maturation of our business. We cannot assure you that our revenue will continue to grow or will not decline. You should not consider our historical revenue growth or operating expenses as indicative of our future performance. If our revenue growth rate declines or our operating expenses exceed our expectations, our financial performance will be adversely affected.

Additionally, we also expect our costs to increase in future periods, which could negatively affect our future operating results and ability to achieve and sustain profitability. We expect to continue to expend substantial financial and other resources on acquiring and retaining consumers, our technology infrastructure, research and development, including investments in our research and development team and the development of new features,
sales and marketing, international expansion, and general administration, including expenses, related to being a public company. These investments may not result in increased revenue or growth in our business. If we cannot successfully earn revenue at a rate that exceeds the costs associated with our business, we will not be able to achieve or sustain profitability or generate positive cash flow on a sustained basis and our revenue growth rate may decline. If we fail to continue to grow our revenue and overall business, our business, results of operations, financial condition and prospects could be materially adversely affected.

We have experienced losses in the past, and we may experience losses in the future.

We experienced losses after tax of $81.5 million, $112.3 million and $155.6 million in the years ended December 31, 2016, 2017 and 2018, respectively. We may continue to experience losses after tax in the future, and we cannot assure you that we will achieve profitability and may continue to incur significant losses in future periods.

The luxury fashion industry can be volatile and difficult to predict.

As a global platform for luxury fashion, we are subject to variable industry conditions. Consumer demand can quickly change depending on many factors, including the behavior of both online and brick and mortar competitors, promotional activities of competitors, rapidly changing tastes and preferences, frequent introductions of new products and services, advances in technology and the internet and macroeconomic factors, many of which are beyond our control. For example, in the fourth quarter of 2018 luxury retailers demonstrated a higher than expected level of promotional activity, to which we responded by carefully adjusting our approach to promotions during that quarter. With this constantly changing environment, our future business strategies, practices and results may not meet expectations or respond quickly enough to consumer demand, and we may face operational difficulties in adjusting to any changes. Any of these developments could harm our business, results of operations, financial condition and prospects.

We rely on a limited number of retailers and brands for the supply of products that we make available to consumers on our Marketplace.

We rely on a limited number of retailers and brands for the supply of products available on our Marketplace. In the year ended December 31, 2018, 20% of our GMV was from our top ten retailers, excluding Browns. We cannot guarantee that these retailers and brands will always choose to use our Marketplace to sell their products. We also typically enter into one-year contracts with retailers and brands, and there is no guarantee our retailers and brands will renew these contracts upon expiration, which currently automatically renew every year unless either party serves 90 days’ notice of termination. We cannot control whether a retailer or brand chooses to make any of its supply available on our Marketplace. Further, a small number of entities may, on their own, take actions that adversely affect our business, such as creating their own marketplace that could directly compete with us. Additionally, our business may be adversely affected if our access to products is limited or delayed because of deterioration in our relationships with one or more of our retailers or brands, or if they choose not to sell their products with us for any other reason. If we fail to successfully retain current, as well as acquire new, retailers and brands on our platform, our business, results of operations, financial condition and prospects could be materially adversely affected.

If our brands and retailers fail to anticipate, identify and respond quickly to new and changing fashion trends in consumer preferences, our business could be harmed.

The luxury apparel, footwear and accessories available on our Marketplace are subject to rapidly changing fashion trends and constantly evolving consumer tastes and demands. Our success is dependent on the ability of our retailers and brands to anticipate, identify and respond to the latest fashion trends and consumer demands and to translate such trends and demands into product offerings in a timely manner. The failure of our retailers and brands to anticipate, identify or react swiftly and appropriately to new and changing styles, trends or desired consumer preferences, to accurately anticipate and forecast demand for certain product offerings or to provide relevant and timely product offerings to list on our Marketplace may lead to lower demand for merchandise on our Marketplace, which could cause, among other things, declines in GMV sold through our Marketplace. If our retailers and brands are not able to accurately anticipate, identify, forecast, analyze or respond to changing fashion trends and consumer preferences, our business could be materially and adversely affected.
preferences, we may lose consumers and market share, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

**Retailers and brands set their own prices for the products they make available on our Marketplace, which could affect our ability to respond to consumer preferences and trends.**

We do not control the pricing strategies of our retailers and brands (other than Browns), which could affect our revenue and our ability to effectively compete on price with the other distribution channels used by our brands and retailers, including e-commerce retailers and brick and mortar stores. Retailers and brands may determine that they can more competitively price their products through other distribution channels and may choose such other channels instead of listing products on our Marketplace. Additionally, retailers and brands often employ different pricing strategies based on the geographical location of consumers, which is accomplished online through geo-blocking that blocks a consumer’s ability to access certain websites based on geography. European Union legislation, which took effect in December 2018, prohibits geo-blocking in the European Union. As a result, our consumers registered in the European Union can make purchases at the prices listed in different European geographies irrespective of their country of residence in Europe which could adversely impact our business. In addition, proposed legislation in Europe would require marketplaces to disclose the main parameters they use to rank goods and services on their sites, and any advantage they may give to their own products over others. This could adversely affect our business, results of operations, financial condition and prospects.

**Fluctuations in exchange rates may adversely affect our results of operations.**

Our financial information is presented in U.S. dollars, which differs to the underlying functional currencies of our subsidiaries, which causes translation risk. We do not hedge translation risk, and therefore, our results of operations have in the past, and will in the future, fluctuate due to movements in exchange rates when the currencies are translated into U.S. dollars. At a subsidiary level, we are also exposed to transactional foreign exchange risk because we earn revenues and incur expenses in a number of different foreign currencies relative to the relevant subsidiary’s functional currency. Movements in exchange rates therefore impact our subsidiaries and thus, our consolidated results and cash flows, which results in transactional foreign currency exposure. We generally hedge a portion of transactional exposure using forward foreign exchange contracts; however, because this is not fully hedged, we are exposed to fluctuations in exchange rates that could harm our business, results of operations, financial condition and prospects.

**We rely on information technologies and systems to operate our business and maintain our competitiveness, and any failure to invest in and adapt to technological developments and industry trends could harm our business.**

We depend on the use of sophisticated information technologies and systems, including technology and systems used for websites and apps, customer service, supplier connectivity, communications, fraud detection and administration. As our operations grow in size, scope and complexity, we will need to continuously improve and upgrade our systems and infrastructure to offer an increasing number of consumer-enhanced services, features and functionalities, while maintaining and improving the reliability and integrity of our systems and infrastructure.

Our future success also depends on our ability to adapt our services and infrastructure to meet rapidly evolving consumer trends and demands while continuing to improve our platform’s performance, features and reliability. The emergence of alternative platforms, such as smartphones and tablets, and niche competitors who may be able to optimize such services or strategies, may require us to continue to invest in new and costly technology. We may not be successful, or we may be less successful than our competitors, in developing technologies that operate effectively across multiple devices and platforms and that are appealing to consumers, which would negatively impact our business and financial performance. New developments in other areas, such as cloud computing providers, could also make it easier for competitors to enter our markets due to lower up-front technology costs. In addition, we may not be able to maintain our existing systems or replace our current systems or introduce new technologies and systems as quickly or cost effectively as we would like. Failure to invest in and adapt to technological developments and industry trends may have a material adverse effect on our business, results of operations, financial condition and prospects.
Our efforts to acquire or retain consumers may not be successful, which could prevent us from maintaining or increasing our sales.

If we do not promote and sustain our brand and platform through marketing and other tools, we may fail to build and maintain the critical mass of consumers required to increase our sales. Promoting and positioning our brand and platform will depend largely on the success of our marketing efforts, our ability to attract consumers cost effectively and our ability to consistently provide a high-quality product and user experience. In order to acquire and retain consumers, we have incurred and will continue to incur substantial expenses related to advertising and other marketing efforts. We also use promotions to drive sales, which may not be effective and may adversely affect our gross margins. Our investments in marketing may not effectively reach potential consumers, potential consumers may decide not to buy through us or the spend of consumers that purchase from us may not yield the intended return on investment, any of which could negatively affect our financial results. The failure of our marketing activities could also adversely affect our ability to attract new, and maintain relationships with, our consumers, retailers and brands, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

We may not succeed in promoting and sustaining our brand, which could have an adverse effect on our future growth and business.

A critical component of our future growth is our ability to promote and sustain our brand, which we believe can be achieved by providing a high-quality user experience. An important element of our brand promotion strategy is establishing a relationship of trust with our consumers. In order to provide a high-quality user experience, we have invested and will continue to invest substantial amounts of resources in the development and functionality of our platform, website, technology infrastructure, fulfilment and customer service operations. Our ability to provide a high-quality user experience is also highly dependent on external factors over which we may have little or no control, including, without limitation, the reliability and performance of our retailers and brands, suppliers and third-party carriers. If our consumers are dissatisfied with the quality of the products sold on our platform or the customer service they receive and their overall customer experience, or if we or our service providers cannot deliver products to our consumers in a timely manner or at all, our consumers may stop purchasing products from us. We also rely on third parties for information, including product characteristics and availability shown on our Marketplace that may be inaccurate. Our failure to provide our consumers with high-quality products and high-quality user experiences for any reason could substantially harm our reputation and adversely impact our efforts to develop Farfetch as a trusted brand, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Any significant disruption in service on our websites or apps or in our computer systems, some of which are currently hosted by third-party providers, could damage our reputation and result in a loss of consumers, which would harm our business and results of operations.

Our brand, reputation and ability to attract and retain consumers to use our platform depend upon the reliable performance of our network infrastructure and content delivery processes. We have experienced interruptions in these systems in the past, including server failures that temporarily slowed down or interfered with the performance of our websites and apps, or particular features of our websites and apps, and we may experience interruptions in the future. For example, in December 2018 we had a partial outage on our payment system for 9 hours and 30 minutes, during which only approximately 20% of payments succeeded, and in July 2017, we experienced a full platform outage for one hour and forty-five minutes. Interruptions in these systems, whether due to system failures, human input errors, computer viruses or physical or electronic break-ins, and denial-of-service attacks on us, third-party vendors or communications infrastructure, could affect the availability of our services on our platform and prevent or inhibit the ability of consumers to access our websites and apps or complete purchases on our websites and apps. Volume of traffic and activity on our Marketplace spikes on certain days, such as during a “Black Friday” promotion, and any such interruption would be particularly problematic if it were to occur at such a high volume time. Problems with the reliability of our systems could prevent us from earning revenue or commission and could harm our reputation. Damage to our reputation, any resulting loss of consumer, retailer or brand confidence and the cost of remedying these problems could negatively affect our business, results of operations, financial condition and prospects.
Substantially all of the communications, network and computer hardware used to operate our website are strategically located, for convenience and regulatory reasons, at facilities in Portugal, the Netherlands, Russia, China and Ireland. Our ability to maintain communications, network, and computer hardware in these countries is, or may in the future be, subject to regulatory review and licensing, and the failure to obtain any required licenses could negatively affect our business. We either lease or own our servers and have service agreements with data center providers. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes and similar events. The occurrence of any of the foregoing events could result in damage to our systems and hardware or could cause them to fail completely, and our insurance may not cover such events or may be insufficient to compensate us for losses that may occur. Our systems are not completely redundant, so a system failure at one site could result in reduced platform functionality for our consumers, and a total failure of our systems could cause our websites or apps to be inaccessible by some or all of our consumers. Problems faced by our third-party service providers with the telecommunications network providers with whom they contract or with the systems by which they allocate capacity among their users, including us, could adversely affect the experience of our consumers. Our third-party service providers could decide to close their facilities without adequate notice. Any financial difficulties, such as bankruptcy or reorganization, faced by our third-party service providers or any of the service providers with whom they contract may have negative effects on our business, the nature and extent of which are difficult to predict. If our third-party service providers are unable to keep up with our needs for capacity, this could have an adverse effect on our business. Any errors, defects, disruptions or other performance problems with our services could harm our reputation and may have a material adverse effect on our business, results of operations, financial condition and prospects.

Our failure or the failure of third parties to protect our sites, networks and systems against security breaches, or otherwise to protect our confidential information, could damage our reputation and brand and substantially harm our business and operating results.

We collect, maintain, transmit and store data about our consumers, retailers and brands and others, including credit card information (and other payment information) and other personally identifiable information, as well as other confidential and proprietary information about our business plans and activities.

We also engage third parties that store, process and transmit these types of information on our behalf. We rely on encryption and authentication technology licensed from third parties in an effort to securely transmit confidential and sensitive information, including credit card numbers. Advances in computer capabilities, new technological discoveries or other developments may result in the whole or partial failure of this technology to protect transaction data or other confidential and sensitive information from being breached or compromised. In addition, e-commerce websites are often attacked through compromised credentials, including those obtained through phishing and credential stuffing. Our security measures, and those of our third-party service providers, may not detect or prevent all attempts to breach our systems, denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in or transmitted by our websites, networks and systems or that we or such third parties otherwise maintain, including payment card systems, which may subject us to fines or higher transaction fees or limit or terminate our access to certain payment methods. We and such third parties may not anticipate or prevent all types of attacks until after they have already been launched. Further, techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers. In addition, security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by our employees or by third parties. These risks may increase over time as the complexity and number of technical systems and applications we use also increases.

Breaches of our security measures or those of our third-party service providers or cyber security incidents could result in unauthorized access to our sites, networks and systems; unauthorized access to and misappropriation of consumer information, including consumers’ personal data, or other confidential or proprietary information of ourselves or third parties; viruses, worms, spyware or other malware being served from our sites, networks or systems; deletion or modification of content or the display of unauthorized content on our sites; interruption, disruption or malfunction of operations; costs relating to breach remediation, deployment of additional personnel and protection technologies, response to governmental investigations and media inquiries and coverage; engagement of third-party experts and consultants; litigation, regulatory action and other potential liabilities. In the past, we have
experienced social engineering, phishing, malware and similar attacks and threats of denial-of-service attacks; however, such attacks could in the future have a material adverse effect on our operations. If any of these breaches of security should occur, our reputation and brand could be damaged, our business may suffer, we could be required to expend significant capital and other resources to alleviate problems caused by such breaches, and we could be exposed to a risk of loss, litigation or regulatory action and possible liability. We cannot guarantee that recovery protocols and backup systems will be sufficient to prevent data loss. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants. In addition, any party who is able to illicitly obtain a subscriber’s password could access the subscriber’s transaction data or personal information, resulting in the perception that our systems are insecure.

Any compromise or breach of our security measures, or those of our third-party service providers, could violate applicable privacy, data protection, data security, network and information systems security and other laws and cause significant legal and financial exposure, adverse publicity and a loss of confidence in our security measures, which could have a material adverse effect on our business, results of operations, financial condition and prospects. We continue to devote significant resources to protect against security breaches or we may need to in the future to address problems caused by breaches, including notifying affected subscribers and responding to any resulting litigation, which in turn, diverts resources from the growth and expansion of our business.

We rely on retailers and brands, third-party carriers and transportation providers as part of our fulfilment process, and these third parties may fail to adequately serve our consumers.

We significantly rely on retailers and brands to properly and promptly prepare products ordered by our consumers for shipment. Any failure by these suppliers to timely prepare such products for shipment to our consumers will have an adverse effect on the fulfillment of consumer orders, which could negatively affect the consumer experience and harm our business and results of operations. We also rely upon third-party carriers and transportation providers for substantially all of our merchandise shipments, including shipments of items from our retailers and brands, to our production facilities for processing, shipments returning these items to our retailers and brands and the shipments to our consumers after purchase. Our shipments are also subject to risks that could increase our distribution costs, including rising fuel costs and events such as employee strikes and inclement weather, which may impact the third party’s ability to provide delivery services that adequately meet our needs. If we needed to change shipping companies, we could face logistical difficulties that could adversely impact deliveries and we would incur costs and expend resources in connection with such change. Moreover, we may not be able to obtain terms as favorable as those received from the independent third-party transportation providers we currently use, which would increase our costs. Any increase in shipping costs or any other significant shipping difficulties or disruptions or any failure by our retailers, brands or third-party carriers to deliver high-quality products to our consumers in a timely manner or to otherwise adequately serve our consumers could damage our reputation and brand and may substantially harm our business, results of operations, financial condition and prospects.

We rely on third parties to drive traffic to our website, and these providers may change their search engine algorithms or pricing in ways that could negatively affect our business, results of operations, financial condition and prospects.

Our success depends on our ability to attract consumers cost effectively. With respect to our marketing channels, we rely heavily on relationships with providers of online services, search engines, social media, directories and other websites and e-commerce businesses to provide content, advertising banners and other links that direct consumers to our websites. We rely on these relationships to provide significant sources of traffic to our website. In particular, we rely on search engines, such as Google, Bing and Yahoo! and the major mobile app stores, as important marketing channels. Search engine companies change their natural search engine algorithms periodically, and our ranking in natural searches may be adversely affected by those changes, as has occurred from time to time. Search engine companies may also determine that we are not in compliance with their guidelines and consequently penalize us in their algorithms as a result. If search engines change or penalize us with their algorithms, terms of service, display and featuring of search results, or if competition increases for advertisements, we may be unable to cost-effectively drive consumers to our website and apps.
Our relationships with our marketing providers are not long term in nature and do not require any specific performance commitments. In addition, many of the parties with whom we have online advertising arrangements provide advertising services to other companies, including retailers with whom we compete. As competition for online advertising has increased, the cost for some of these services has also increased. A significant increase in the cost of the marketing providers upon which we rely could adversely impact our ability to attract consumers cost effectively and harm our business, results of operations, financial condition and prospects.

We face significant competition in the retail industry and may be unsuccessful in competing against current and future competitors.

The retail industry is intensely competitive. Online retail, including on mobile devices and tablets, is rapidly evolving and is subject to changing technology, shifting consumer preferences and tastes and frequent introductions of new products and services. We could face competition from technology enablement companies and luxury sellers. Technology enablement companies are those that enable commerce, such as Shopify or Square, and white-label service providers that offer end-to-end solutions. Luxury sellers are typically either larger more established companies, such as luxury department stores, luxury brand stores or online retailers, or multichannel players that are independent retailers operating brick and mortar stores with an online presence, and these luxury sellers may have longer operating histories, greater brand recognition, existing consumer and supplier relationships and significantly greater financial, marketing and other resources. Additionally, larger competitors seeking to establish an online presence in luxury fashion may be able to devote substantially more resources to website systems development and exert more leverage over the supply chain for luxury products than we can. Larger competitors may also be better capitalized to opportunistically acquire, invest in or partner with other domestic and international businesses. We believe that companies with a combination of technical expertise, brand recognition, financial resources and e-commerce experience also pose a significant threat of developing competing luxury fashion distribution technologies. In particular, if known incumbents in the e-commerce space choose to offer competing services, they may devote greater resources than we have available, have a more accelerated time frame for deployment and leverage their existing user base and proprietary technologies to provide services or a user experience that our consumers may view as superior.

Online retail companies and marketplaces, including emerging start-ups, may be able to innovate and provide products and services faster than we can, and they may be willing to price their products and services more aggressively in order to gain market share. In addition, traditional brick and mortar based retailers offer consumers the ability to handle and examine products in person and offer a more convenient means of returning and exchanging purchased products. If our competitors are more successful in offering compelling products or in attracting and retaining consumers than we are, our revenue and growth rates could decline.

If we are unable to compete successfully, or if competing successfully requires us to expend significant resources in response to our competitors’ actions, our business, results of operations, financial condition and prospects could be materially adversely affected.

We are subject to governmental regulation and other legal obligations related to privacy, data protection and information security. If we are unable to comply with these, we may be subject to governmental enforcement actions, litigation, fines and penalties or adverse publicity.

We collect personal data and other data from our consumers and prospective consumers. We use this information to provide services and relevant products to our consumers, to support, expand and improve our business, and to tailor our marketing and advertising efforts. We may also share consumers’ personal data with certain third parties as authorized by the consumer or as described in our privacy policy.

As a result, we are subject to governmental regulation and other legal obligations related to the protection of personal data, privacy and information security in certain countries where we do business and there has been and will continue to be a significant increase globally in such laws that restrict or control the use of personal data.

In Europe, where we have significant business operations, the data privacy and information security regime recently underwent a significant change and continues to evolve and is subject to increasingly regulatory scrutiny. The new General Data Protection Regulation (“GDPR”), which came into force on May 25, 2018, implemented
more stringent operational requirements for our use of personal data. These more stringent requirements include expanded disclosures to tell our consumers about how we may use their personal data, increased controls on profiling customers and increased rights for customers to access, control and delete their personal data. In addition, there are mandatory data breach notification requirements and significantly increased penalties of the greater of €20 million or 4% of global turnover for the preceding financial year. The UK’s Network and Information Systems Regulations 2018, which came into force on May 10, 2018, apply to us as an online marketplace and place additional network and information systems security obligations on us, as well as mandatory security incident notification in certain circumstances with penalties of up to £17 million.

In recent years, U.S. and European lawmakers and regulators have expressed concern over the use of third-party cookies and similar technologies for online behavioral advertising, and laws in this area are also under reform. In the European Union, current national laws that implement the ePrivacy Directive will be replaced by an EU regulation known as the ePrivacy Regulation. In the European Union, informed consent is required for the placement of a cookie on a user’s device and for direct electronic marketing, and the GDPR also imposes additional conditions in order to satisfy such consent, such as a prohibition on pre-checked consents. The draft ePrivacy Regulation retains these additional consent conditions and also imposes the strict opt-in marketing rules on direct marketing that is “presented” on a web page rather than sent by email, alters rules on third-party cookies and similar technology and significantly increases penalties for breach of the rules. Regulation of cookies and similar technologies may lead to broader restrictions on our marketing and personalization activities and may negatively impact our efforts to understand users’ internet usage, as well as the effectiveness of our marketing and our business generally. Such regulations may have a negative effect on businesses, including ours, that collect and use online usage information for consumer acquisition and marketing, it may increase the cost of operating a business that collects or uses such information and undertakes online marketing, it may also increase regulatory scrutiny and increase potential civil liability under data protection or consumer protection laws. In response to marketplace concerns about the usage of third-party cookies and web beacons to track user behaviors, providers of major browsers have included features that allow users to limit the collection of certain data generally or from specified websites, and the ePrivacy Regulations draft also advocates the development of browsers that block cookies by default. These developments could impair our ability to collect user information, including personal data and usage information, that helps us provide more targeted advertising to our current and prospective consumers, which could adversely affect our business, given our use of cookies and similar technologies to target our marketing and personalize the consumer experience.

As the text of the ePrivacy Regulation is still under development, and as further guidance is issued and interpretation of both the ePrivacy Regulation and GDPR develop, we could incur substantial costs to comply with these regulations. The changes could require significant systems changes, limit the effectiveness of our marketing activities, adversely affect our margins, increase costs and subject us to additional liabilities.

In the United States, federal and various state governments have adopted or are considering, laws, guidelines or rules for the collection, distribution, use and storage of information collected from or about consumers or their devices. For example, in June 2018, California enacted the California Consumer Privacy Act (“CCPA”) which is presently going into effect on January 1, 2020. When effective, the new law will, among other things, require new disclosures to California consumers, impose new rules for collecting or using information about minors, and afford consumers new abilities to opt out of certain disclosures of personal information. California legislators have stated that they intend to propose amendments to the CCPA before it goes into effect, and it remains unclear what, if any, modifications will be made to this legislation or how it will be interpreted. The U.S. Congress may also pass a law to pre-empt all or part of the CCPA. As passed, the effects of the CCPA potentially are significant, however, and may require us to modify our data collection or processing practices and policies and to incur substantial costs and expenses in an effort to comply.

In China, the Personal Information Security Specification (“China Specification”) came into force on May 1, 2018. Although the China Specification is not a mandatory regulation, it nonetheless has a key implementing role in relation to China’s Cyber Security Law in respect of protecting personal information in China. Furthermore, it is likely that the China Specification will be relied on by Chinese government agencies as a standard to determine whether businesses have abided by China’s data protection rules. This China Specification has introduced many concepts and protection rules for personal information, such as “Data Controller” from GDPR. From the consent perspective the China Specification and GDPR are similar, but the China Specification has broadened the scope of
Personal Sensitive Information (“PSI”) as compared to GDPR (including but not limited to phone number, transaction record and purchase history, bank account, browse history, and e-ID info such as system account, email address and corresponding password) and thus, the application of explicit consent under the China Specification is more far reaching. Furthermore, under the China Specification, the data controller must provide the purpose of collecting and using subject personal information, as well as business functions of such purpose, and the China Specification requires the data controller to distinguish its core function from additional functions to ensure the data controller will only collect personal information as needed. Our failure to comply with the China Specification could result in governmental enforcement actions, litigation, fines and penalties, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Many data protection regimes apply based on where a consumer is located, and as we expand and new laws are enacted (such as the recently enacted data protection law in Brazil) or existing laws change, we may be subject to new laws, regulations or standards or new interpretations of existing laws, regulations or standards, including those in the areas of data security, data privacy and regulation of email providers and those that require localization of certain data (such as in Russia, where we have already undertaken localization), which could require us to incur additional costs and restrict our business operations. Any failure or perceived failure by us to comply with rapidly evolving privacy or security laws such as the China Specification, policies (including our own stated privacy policies), legal obligations or industry standards or any security incident that results in the unauthorized release or transfer of personally identifiable information or other personal or consumer data may result in governmental enforcement actions, litigation (including consumer class actions), fines and penalties or adverse publicity and could cause our consumers to lose trust in us, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our failure to address risks associated with payment methods, credit card fraud and other consumer fraud, or our failure to control any such fraud, could damage our reputation and brand and may cause our business and results of operations to suffer.

Under current credit card practices, we are liable for fraudulent credit card transactions because we do not obtain a cardholder’s signature. We do not currently carry insurance against this risk. To date, we have experienced minimal losses from credit card fraud, but we face the risk of significant losses from this type of fraud as our net sales increase and as we continue to expand globally. Our failure to adequately control fraudulent credit card transactions could damage our reputation and brand and substantially harm our business, results of operations, financial condition and prospects.

We also accept payments for many of our sales through credit and debit card transactions, which are handled through third-party payment processors. In particular, for the year ended December 31, 2018, we relied on one third-party payment processor, which processed, directly and indirectly, more than 80% of our transactions. As a result, we are subject to a number of risks related to credit and debit card payments, including that we pay interchange and other fees, which may increase over time and could require us to either increase the prices we charge for our products or absorb an increase in our costs and expenses. In addition, as part of the payment processing process, our consumers’ credit and debit card information is transmitted to our third-party payment processors. We may in the future become subject to lawsuits or other proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of our consumers’ credit or debit card information if the security of our third-party credit card payment processors are breached. We and our third-party credit card payment processors are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we or our third-party credit card payment processors fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our consumers in addition to the consequences that could arise from such action or inaction violating applicable privacy, data protection, data security and other laws as outlined above, and there may be an adverse impact on our business, results of operations, financial condition and prospects.
Use of social media, emails and text messages may adversely impact our reputation or subject us to fines or other penalties.

We use social media, emails and text messages as part of our omnichannel approach to marketing. As laws and regulations rapidly evolve to govern the use of these channels, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations in the use of these channels could adversely affect our reputation or subject us to fines or other penalties. In addition, our employees or third parties acting at our direction may knowingly or inadvertently make use of social media in ways that could lead to the loss or infringement of intellectual property, as well as the public disclosure of proprietary, confidential or sensitive personal information of our business, employees, consumers or others. Any such inappropriate use of social media, emails and text messages could also cause reputational damage.

Consumers value readily available information concerning retailers and their goods and services and often act on such information without further investigation and without regard to its accuracy. Our consumers may engage with us online through our social media platforms, including Facebook, Instagram, Pinterest and Twitter, by providing feedback and public commentary about all aspects of our business. Information concerning us or our retailers and brands, whether accurate or not, may be posted on social media platforms at any time and may have a disproportionately adverse impact on our brand, reputation or business. The harm may be immediate without affording us an opportunity for redress or correction and could have a material adverse effect on our business, results of operations, financial condition and prospects.

If we are unable to successfully launch and monetize new and innovative technology, our growth and profitability could be adversely affected.

We are constantly developing new and innovative technology, such as *Farfetch Store of the Future*. Our ability to monetize these technologies and other new business lines in a timely manner and operate them profitably depends on a number of factors, many of which are beyond our control, including:

- our ability to manage the financial and operational aspects of developing and launching new technology, including making appropriate investments in our software systems, information technologies and operational infrastructure;
- our ability to secure required governmental permits and approvals;
- the level of commitment and interest from our actual and potential third-party innovators;
- our competitors (including our existing retailers and brands who may launch competing technologies) developing and implementing similar or better technology;
- our ability to effectively manage any third-party challenges to the intellectual property behind our technology;
- our ability to collect, combine and leverage data about our consumers collected online and through our new technology in compliance with data protection laws; and
- general economic and business conditions affecting consumer confidence and spending and the overall strength of our business.

We may not be able to grow our new technologies or business lines or operate them profitably, and these new and innovative technology initiatives may never generate material revenue. In addition, the substantial management time and resources that our technology development requires may result in disruption to our existing business operations and adversely affect our financial condition, which may decrease our profitability and growth.

Our customer concentration may materially adversely affect our financial condition and results of operations.

For the year ended December 31, 2018, the top 1% of our consumers accounted for approximately 26% of our Marketplace GMV. Accordingly, our revenue, financial condition or results of operations may be unduly affected by fluctuations in the buying patterns of these consumers. If we were to lose the business of some or all of
these consumers, it could materially adversely affect our business, results of operations, financial condition and prospects.

**Our operating results are subject to seasonal and quarterly variations in our revenue and operating income, and as a result, our quarterly results may fluctuate and could be below expectations.**

Our business is seasonal and historically, we have realized a disproportionate amount of our revenue and earnings for the year in the fourth quarter as a result of the holiday season and seasonal promotions, and we expect this to continue in the future. If we experience lower than expected revenue during any fourth quarter, it may have a disproportionately large impact on our operating results and financial condition for that year. Any factors that harm our fourth quarter operating results, including disruptions in our brands’ or retailers’ supply chains or unfavorable economic conditions, could have a disproportionate effect on our results of operations for our entire fiscal year.

In anticipation of increased sales activity during the fourth quarter, we may incur significant additional expenses, including additional marketing and additional staffing in our customer support operations. In addition, we may experience an increase in our net shipping costs due to complimentary upgrades, split-shipments, and additional long-zone shipments necessary to ensure timely delivery for the holiday season. At peak periods, there could also be further delays by our retailers and brands in processing orders, which could leave us unable to fulfill consumer orders due to “no stock,” or in packaging a consumer’s order once received, which could lead to lower consumer satisfaction. In the future, our seasonal sales patterns may become more pronounced, may strain our personnel and production activities and may cause a shortfall in net sales as compared with expenses in a given period, which could substantially harm our business, results of operations, financial condition and prospects.

Our quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including those described above. As a result, historical period-to-period comparisons of our sales and operating results are not necessarily indicative of future period-to-period results. You should not rely on the results of a single fiscal quarter as an indication of our annual results or our future performance.

**We may not accurately forecast income and appropriately plan our expenses.**

We base our current and future expense levels on our operating forecasts and estimates of future income. Income and operating results are difficult to forecast because they generally depend on the volume and timing of the orders we receive, which are uncertain. Additionally, our business is affected by general economic and business conditions around the world. A softening in income, whether caused by changes in consumer preferences or a weakening in global economies, may result in decreased revenue levels, and we may be unable to adjust our spending in a timely manner to compensate for any unexpected shortfall in income. This inability could cause our (loss)/income after tax in a given quarter to be (higher)/lower than expected. We also make certain assumptions when forecasting the amount of expense we expect related to our share based payments, which includes the expected volatility of our share price, the expected life of share options granted and the expected rate of share option forfeitures. These assumptions are partly based on historical results. If actual results differ from our estimates, our net income in a given quarter may be lower than expected.

**We depend on highly skilled personnel, including senior management and our technology professionals, and if we are unable to retain or motivate key personnel or hire, retain and motivate qualified personnel, our business could be harmed.**

We believe our success has depended, and our future success depends, on the efforts and talents of our senior management, particularly José Neves, our founder and chief executive officer, and all of our highly skilled team members, including our software engineers, data scientists and technology professionals. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. In particular, our software engineers and technology professionals are key to designing, maintaining and improving code and algorithms necessary to our business. In addition, members of our Private Client team cater to some of our most important and highest spending consumers. If employees in our Private Client business leave Farfetch, this may impact on the ability of Farfetch to retain customers associated with such Private Client team member.
Competition for well-qualified employees in all aspects of our business, including software engineers and other technology professionals, is intense globally. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate existing employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees and key senior management, our business, results of operations, financial condition and prospects may be adversely affected.

We may not be able to manage our growth effectively, and such rapid growth may adversely affect our corporate culture.

We have rapidly and significantly expanded our operations and anticipate expanding further as we pursue our growth strategies. Such expansion increases the complexity of our business and places a significant strain on our management, operations, technical systems, financial resources and internal control over financial reporting functions. Our current and planned personnel, systems, procedures and controls may not be adequate to support and effectively manage our future operations, especially as we employ people in 13 geographic locations. We are currently in the process of transitioning certain of our business and financial systems to systems on a scale reflecting the increased size, scope and complexity of our operations, and the process of migrating our legacy systems could disrupt our ability to timely and accurately process information, which could adversely affect our results of operations and cause harm to our reputation. As a result, we may not be able to manage our expansion effectively.

Our entrepreneurial and collaborative culture is important to us, and we believe it has been a major competitive advantage and contributor to our success. We may have difficulties maintaining our culture or adapting it sufficiently to meet the needs of our future and evolving operations as we continue to grow, in particular as we grow internationally. In addition, our ability to maintain our culture as a public company, with the attendant changes in policies, practices, corporate governance and management requirements may be challenging. Failure to maintain our culture could have a material adverse effect on our business, results of operations, financial condition and prospects.

General economic factors, natural disasters or other unexpected events may adversely affect our business, financial performance and results of operations.

Our business, financial performance and results of operations depend significantly on worldwide macroeconomic economic conditions and their impact on consumer spending. Luxury products are discretionary purchases for consumers. Recessionary economic cycles, higher interest rates, volatile fuel and energy costs, inflation, levels of unemployment, conditions in the residential real estate and mortgage markets, access to credit, consumer debt levels, unsettled financial markets and other economic factors that may affect consumer spending or buying habits could materially and adversely affect demand for our products. In addition, volatility in the financial markets has had and may continue to have a negative impact on consumer spending patterns. A reduction in consumer spending or disposable income may affect us more significantly than companies in other industries and companies with a more diversified product offering. In addition, negative national or global economic conditions may materially and adversely affect our suppliers’ financial performance, liquidity and access to capital. This may affect their ability to maintain their inventories, production levels and/or product quality and could cause them to raise prices, lower production levels or cease their operations.

Economic factors such as increased commodity prices, shipping costs, inflation, higher costs of labor, insurance and healthcare, and changes in or interpretations of other laws, regulations and taxes may also increase our cost of sales and our selling, general and administrative expenses, and otherwise adversely affect our financial condition and results of operations. Any significant increases in costs may affect our business disproportionately compared to our competitors. Changes in trade policies or increases in tariffs, including those recently enacted by the United States and proposed by China, may have a material adverse effect on global economic conditions and the stability of global financial markets and may reduce international trade.

Natural disasters and other adverse weather and climate conditions, public health crises, political crises, such as terrorist attacks, war and other political instability or other unexpected events, could disrupt our operations, internet or mobile networks or the operations of one or more of our third-party service providers. For example, the vast majority of our production processes take place at our facility in Guimarães, Portugal. If any such disaster were
to impact this facility, our operations would be disrupted. Such events may also impact consumer discretionary spending. If any of these events occurs, our business could be adversely affected.

We have acquired, and may continue to acquire, other companies or technologies, which could divert management’s attention and otherwise disrupt our operations and harm our operating results. We may fail to acquire companies whose market power or technology could be important to the future success of our business.

We have acquired and may in the future seek to acquire or invest in other companies or technologies that we believe could complement or expand our brand and products, enhance our technical capabilities, or otherwise offer growth opportunities. Pursuit of future potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated. In addition, we may be unsuccessful in integrating our acquired businesses or any additional business we may acquire in the future, and we may fail to acquire companies whose market power or technology could be important to the future success of our business. For example, we acquired Browns in 2015, Fashion Concierge and Style.com in 2017 and Stadium Goods in 2019. We also signed agreements in 2018 and 2019 to acquire, respectively, CuriosityChina and certain assets relating to JD.com’s luxury fashion offering, Toplife, from JD.com.

We also may not achieve the anticipated benefits from any acquired business due to a number of factors, including:

• unanticipated costs or liabilities associated with the acquisition, including costs or liabilities arising from the acquired companies’ failure to comply with intellectual property laws and licensing obligations to which they are subject;
• incurrence of acquisition-related costs;
• diversion of management’s attention from other business concerns;
• regulatory uncertainties;
• harm to our existing business relationships with retailers and boutiques as a result of the acquisition;
• harm to our brand and reputation;
• the potential loss of key employees;
• use of resources that are needed in other parts of our business; and
• use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process. Acquisitions also could result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, this may have a material adverse effect on our business, results of operations, financial condition and prospects.

We are involved in and may pursue strategic relationships. We may have limited control over such relationships, and these relationships may not provide the anticipated benefits.

We are involved in various strategic relationships, including with JD.com and the Chalhoub Group, which we expect will benefit our business and help us to achieve growth in China and the Middle East, respectively. For example, in February 2019, we entered into agreements to strengthen our strategic relationship with JD.com, which was driven by our aim to expand our presence in China as described in further detail in Item 7. “Major Shareholders and Related Party Transactions — B. Related Party Transactions.” We also may pursue and enter into strategic relationships in the future. Such relationships involve risks, including but not limited to: maintaining good working relationships with the other party; any economic or business interests of the other party that are inconsistent with ours; the other party’s failure to fund its share of capital for operations or to fulfill its other commitments, including providing accurate and timely accounting and financial information to us, which could negatively impact our operating results; loss of key personnel; actions taken by our strategic partners that may not be compliant with
A failure to comply with current laws, rules and regulations or changes to such laws, rules and regulations and other legal uncertainties may adversely affect our business, financial performance, results of operations or business growth.

Our business and financial performance could be adversely affected by unfavorable changes in or interpretations of existing laws, rules and regulations or the promulgation of new laws, rules and regulations applicable to us and our businesses, including those relating to the internet and e-commerce, including anti-corruption, anti-bribery and other geographically based restrictions, internet advertising and price display, consumer protection, anti-corruption, antitrust and competition, economic and trade sanctions, tax, banking, data security, network and information systems security, data protection and privacy. As a result, regulatory authorities could prevent or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us if our practices were found not to comply with applicable regulatory or licensing requirements or any binding interpretation of such requirements. Unfavorable changes or interpretations could decrease demand for our services, limit marketing methods and capabilities, affect our margins, increase costs or subject us to additional liabilities.

For example, there are, and will likely continue to be, an increasing number of laws and regulations pertaining to the internet and e-commerce that may relate to liability for information retrieved from or transmitted over the internet, display of certain taxes and fees, online editorial and consumer-generated content, user privacy, data security, network and information systems security, behavioral targeting and online advertising, taxation, liability for third-party activities and the quality of services. Furthermore, the growth and development of e-commerce may prompt calls for more stringent consumer protection laws and more aggressive enforcement efforts, which may impose additional burdens on online businesses generally.

Likewise, the SEC, the U.S. Department of Justice, the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”), the U.S. Department of State, as well as other foreign regulatory authorities continue to enforce economic and trade regulations and anti-corruption laws, across industries. U.S. trade sanctions relate to transactions with designated foreign countries and territories, including Cuba, Iran, North Korea, Syria and the Crimea region of Ukraine (“Crimea”) as well as specially targeted individuals and entities that are identified on U.S. and other government blacklists, and those owned by them or those acting on their behalf. Anti-corruption laws, including the U.S. Foreign Corrupt Practices Act (the “FCPA”) and the UK Bribery Act (the “Bribery Act”), generally prohibit direct or indirect corrupt payments to government officials and, under certain laws, private persons to obtain or retain business or an improper business advantage. Some of our international operations are conducted in parts of the world where it is common to engage in business practices that are prohibited by these laws.

Although we have policies and procedures in place designed to promote compliance with laws and regulations, which we review and update as we expand our operations in existing and new jurisdictions in order to proportionately address risks of non-compliance with applicable laws and regulations, our employees, partners, or agents could take actions in contravention of our policies and procedures, or violate applicable laws or regulations. As regulations continue to develop and regulatory oversight continues to focus on these areas, we cannot guarantee that our policies and procedures will ensure compliance at all times with all applicable laws or regulations. In the event our controls should fail or we are found to be not in compliance for other reasons, we could be subject to monetary damages, civil and criminal monetary penalties, withdrawal of business licenses or permits, litigation and damage to our reputation and the value of our brand.

As we expand our operations in existing and new jurisdictions internationally, we will need to increase the scope of our compliance programs to address the risks relating to the potential for violations of the FCPA and the Bribery Act and other anti-bribery and anti-corruption laws. Further, the promulgation of new laws, rules and regulations, or the new interpretation of existing laws, rules and regulations, in each case that restrict or otherwise unfavorably impact the ability or manner in which we or our retailers and brands conduct business could require us to change certain aspects of our business, operations and commercial relationships to ensure compliance, which could decrease demand for services, reduce revenue, increase costs or subject us to additional liabilities.
We are subject to trade and economic sanctions and export laws that may govern or restrict our business, and we may be subject to fines or other penalties for non-compliance with those laws.

We are subject to U.S. laws and regulations that may govern or restrict our business and activities in certain countries and with certain persons, including trade and economic sanctions regulations administered by OFAC and the Export Administration Regulations administered by the U.S. Commerce Department’s Bureau of Industry and Security ("BIS"). In March 2018, we determined that certain products purchased on our Marketplace were shipped to addresses associated with Crimea. In December 2014, the United States announced a complete embargo on exports of items from the United States to Crimea. On April 27, 2018, we submitted an initial voluntary self-disclosure report ("Final Disclosure") outlining the results of our review of this matter. As described in the Final Disclosure, we determined that three products purchased on our Marketplace from retailers or brands in the United States were shipped to parties whose addresses are associated with Crimea and that on one occasion, a retailer on our Marketplace outside the United States shipped what appears to be a U.S.-origin product to an address associated with Crimea. The combined value of the four shipments at issue in the Final Disclosure was $391.24. Since March 2018 we have put in place measures designed to prevent the fulfillment of orders associated with addresses in Crimea and these measures are described in the Final Disclosure. By letter dated February 25, 2019, the U.S. Commerce Department closed out the matter with the issuance of a Warning Letter and no assessment of a monetary penalty. We cannot predict how long it will take OFAC to complete its review of the Final Disclosure and reach a determination on these shipments to Crimea. If we are found to be in violation of U.S. sanctions or export control laws, in relation to these shipments or other matters in the future, it could result in fines and penalties for us, which could be substantial. Moreover, notwithstanding the safeguards we have put in place to ensure compliance with U.S. sanctions or export control laws, we cannot be certain that these safeguards will be effective in all cases. In the future, additional U.S. trade and economic sanctions regulations, enacted due to geopolitics or otherwise, could restrict our ability to generate revenue in certain other countries, such as Russia, which could adversely affect our business.

We are subject to customs and international trade laws that could require us to modify our current business practices and incur increased costs or could result in a delay in getting products through customs and port operations, which may limit our growth and cause us to suffer reputational damage.

Our business is conducted worldwide, with goods imported from and exported to a substantial number of countries. The vast majority of products sold on our Marketplace are shipped internationally. We are subject to numerous regulations, including customs and international trade laws, that govern the importation and sale of luxury goods. Our consumers in certain countries, such as China and Russia, are also subject to limitations and regulations governing the import of luxury goods. In addition, we face risks associated with trade protection laws, policies and measures and other regulatory requirements affecting trade and investment, including loss or modification of exemptions for taxes and tariffs, imposition of new tariffs and duties and import and export licensing requirements in the countries in which we operate, in particular in China, where trade relations between the United States and China are uncertain and in the United Kingdom, where an exit from the European Union could result in the creation of additional restrictions or regulations concerning our operations in and outside of the United Kingdom. Our failure to comply with import or export rules and restrictions or to properly classify items under tariff regulations and pay the appropriate duties could expose us to fines and penalties. If these laws or regulations were to change or were violated by our management, employees, retailers or brands, we could experience delays in shipments of our goods, be subject to fines or penalties, or suffer reputational harm, which could reduce demand for our services and negatively impact our results of operations.

Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effects on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

Our business depends on our ability to source and distribute products in a timely manner. As a result, we rely on the free flow of goods through open and operational ports worldwide. Labor disputes or other disruptions at ports create significant risks for our business, particularly if work slowdowns, lockouts, strikes or other disruptions occur. Any of these factors could result in reduced sales or canceled orders, which may limit our growth and damage our
reputation and may have a material adverse effect on our business, results of operations, financial condition and prospects.

Governmental control of currency conversion may limit our ability to utilize our cash balances effectively and affect our ability to pay dividends in the future.

We are subject to governmental regulation of currency conversion and transfers, which may particularly affect our subsidiaries in certain jurisdictions. For example, the Chinese government imposes controls on the convertibility of the Renminbi (“RMB”) into foreign currencies and, in certain cases, the remittance of currency out of China. Our revenue is partially derived from sales to consumers in China and earnings from our Chinese operations, and substantially all of our revenue from such sales is denominated in RMB. Shortages in the availability of foreign currency may restrict the ability of our Chinese operations to remit sufficient foreign currency to pay dividends or to make other payments to us, or otherwise to satisfy their foreign currency-denominated obligations. Under existing Chinese foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from China’s State Administration of Foreign Exchange (“SAFE”) by complying with certain procedural requirements. However, for any Chinese company, dividends can be declared and paid only out of the retained earnings of that company under Chinese law. Under Chinese laws, rules and regulations, each of our subsidiaries incorporated in China is required to set aside at least 10% of its net income each year to fund certain statutory reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. As a result of these laws, rules and regulations, our subsidiaries incorporated in China are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends, loans or advances.

Furthermore, approval from SAFE or its local branch is required where RMB are to be converted into foreign currencies and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. Without a prior approval from SAFE, cash generated from our operations in China may not be used to pay off debt in a currency other than the RMB owed by entities within China to entities outside China, or make other capital expenditures outside China in a currency other than the RMB.

The Chinese government may also at its discretion restrict access in the future to foreign currencies for current account transactions. In response to the persistent capital outflow in China and RMB’s depreciation against the U.S. dollar in the fourth quarter of 2016, the People’s Bank of China and SAFE have implemented a series of capital control measures over recent months, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. For instance, on January 26, 2017, SAFE issued the Notice of State Administration of Foreign Exchange on Improving the Review of Authenticity and Compliance to Further Promote Foreign Exchange Control, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (2) domestic entities shall hold income to account for previous years’ losses before remitting the profits. The People’s Republic of China government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put in place by SAFE for cross-border transactions falling under both the current account and the capital account. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in currencies other than RMB to our shareholders or service and repay our indebtedness when due.

For us to receive dividends from our operations in China, repatriation of funds from China to the United Kingdom will be required under our current structure. Insofar as such repatriation requires the prior approval of SAFE or is deemed to not be in compliance with the authenticity and compliance requirements, we could be delayed, restricted or limited in receiving dividends from our Chinese subsidiaries, which may limit our ability to pay dividends to holders of the Class A ordinary shares or otherwise fund and conduct our business. Moreover, there can be no assurance that the rules and regulations pursuant to which SAFE grants or denies such approval will not change in a way that adversely affects our ability to receive dividends from our Chinese operations, which, in turn, would restrict our ability to pay dividends to our shareholders or otherwise fund and conduct our business.

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Application of existing tax laws, rules or regulations are subject to interpretation by taxing authorities.

The application of the tax laws of various jurisdictions to our international business activities is subject to interpretation. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing, or determine that the manner in which we operate our business does not achieve the intended tax consequences, which could increase our worldwide effective tax rate and adversely affect our financial position and results of operations.

Significant judgment and estimation is required in determining our worldwide tax liabilities. In the ordinary course of our business, there are transactions and calculations, including intercompany transactions and cross-jurisdictional transfer pricing, for which the ultimate tax determination is uncertain or otherwise subject to interpretation. Tax authorities in any of the countries in which we operate may disagree with our intercompany charges, including the amount of, or basis for, such charges, cross-jurisdictional transfer pricing or other matters such as the allocation of certain interest expenses and other tax items, and assess additional taxes.

As we operate in numerous taxing jurisdictions, the application of tax laws can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views, for instance, with respect to, among other things, whether a permanent establishment exists in a particular jurisdiction, the manner in which the arm’s length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property. For example, if the taxing authority in one country where we operate were to reallocate income from another country where we operate, and the taxing authority in the second country did not agree with the reallocation asserted by the first country, we could become subject to tax on the same income in both countries, resulting in double taxation. If taxing authorities were to allocate income to a higher tax jurisdiction, subject our income to double taxation or assess interest and penalties, it could increase our tax liability, which could adversely affect our financial position and results of operations.

Although we believe our tax estimates and methodologies are reasonable, a taxing authority’s final determination in the event of a tax audit could materially differ from our historical corporate income tax provisions and accruals, in which case we may be subject to additional tax liabilities, possibly including interest and penalties, which could have a material adverse effect on our cash flows, results of operations, financial condition and prospects. Furthermore, taxing authorities have become more aggressive in their interpretation and enforcement of such laws, rules and regulations over time, as governments are increasingly focused on ways to increase revenues. This has contributed to an increase in audit activity and harsher stances by tax authorities. As such, additional taxes or other assessments may be in excess of our current tax reserves or may require us to modify our business practices to reduce our exposure to additional taxes going forward, any of which may have a material adverse effect on our business, results of operations, financial condition and prospects.

Amendments to existing tax laws, rules or regulations or enactment of new unfavorable tax laws, rules or regulations could have an adverse effect on our business and financial performance.

Many of the underlying laws, rules or regulations imposing taxes and other obligations were established before the growth of the internet and e-commerce. Tax authorities in non-U.S. jurisdictions and at the U.S. federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in internet commerce and considering changes to existing tax or other laws that could regulate our transmissions and/or levy sales, income, consumption, use or other taxes relating to our activities, and/or impose obligations on us to collect such taxes. For example, in March 2018 the European Commission proposed new rules for taxing digital business activities in the European Union. We cannot predict the effect of current attempts to impose taxes on commerce over the internet. If such tax or other laws, rules or regulations were amended, or if new unfavorable laws, rules or regulations were enacted, the results could increase our tax payments or other obligations, prospectively or retrospectively, subject us to interest and penalties, decrease the demand for our services if we pass on such costs to the consumer, result in increased costs to update or expand our technical or administrative infrastructure or effectively limit the scope of our business activities if we decided not to conduct business in particular jurisdictions. As a result, these changes may have a material adverse effect on our business, results of operations, financial condition and prospects.
In addition, various governments and intergovernmental organizations could introduce proposals for tax legislation, or adopt tax laws, that may have a significant adverse effect on our worldwide effective tax rate, or increase our tax liabilities, the carrying value of deferred tax assets, or our deferred tax liabilities. For example, in October 2015, the Organization for Economic Co-operation and Development (“OECD”) released a final package of recommended tax measures for member nations to implement in an effort to limit “base erosion and profit shifting” (“BEPS”) by multinational companies. Since then, the OECD has continued to monitor key areas of action and issue additional reports and guidance on implementation of the BEPS recommendations. Multiple jurisdictions, including some of the countries in which we operate, have begun implementing recommended changes aimed at addressing perceived issues within their respective tax systems that may lead to reduced tax liabilities among multinational companies. It is possible that other jurisdictions in which we operate or do business could react to the BEPS initiative or their own concerns by enacting tax legislation that could adversely affect us through increasing our tax liabilities.

In December 2017, the United States enacted significant changes to the U.S. tax system (informally titled the “Tax Cuts and Jobs Act”). Among such significant changes, the Tax Cuts and Jobs Act reduced the marginal U.S. corporate income tax rate from 35% to 21%, limited the deduction for net business interest expense, shifted the United States toward a more territorial tax system, imposed a one-time tax on accumulated offshore earnings held in cash and illiquid assets, and imposed new taxes to combat erosion of the U.S. federal income tax base. The Treasury Department and the IRS have already issued and are expected to continue to provide guidance on the implementation of the Tax Cuts and Jobs Acts. Based on our evaluation of the Tax Cuts and Jobs Act, we do not expect these changes to have an impact on our business, however, we cannot be certain that additional guidance from the Treasury Department and the IRS or additional changes to other U.S. tax laws, rules or regulations will not impact our business or results of operations in the future.

The application of indirect taxes and the impact of managing our business model transition to a commissionaire structure could adversely affect our business and results of operations.

The application of indirect taxes, such as sales and use tax, value-added tax, provincial taxes, goods and services tax, business tax and gross receipt tax, to our business and to our retailers and brands is a complex and evolving issue. Significant judgment is required to evaluate applicable tax obligations. As a result amounts recorded may be subject to adjustments by the relevant tax authorities. In many cases, the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business or to the businesses of our retailers and brands. One or more states, the federal government or other countries may seek to impose additional reporting, record-keeping or indirect tax collection obligations on businesses like ours that facilitate e-commerce. For example, state and local taxing authorities in the United States and taxing authorities in other countries have identified e-commerce platforms as a means to calculate, collect and remit indirect taxes for transactions taking place over the internet. Multiple U.S. states have enacted related legislation and other states are now considering such legislation. Furthermore, the U.S. Supreme Court has held in South Dakota v. Wayfair that a U.S. state may require an online retailer to collect sales taxes imposed by that state, even if the retailer has no physical presence in that state, thus permitting a wider enforcement of such sales tax collection requirements. Such legislation could require us or our retailers and brands to incur substantial costs in order to comply, including costs associated with legal advice, tax calculation, collection, remittance and audit requirements, which could make selling in such markets less attractive and could adversely affect our business.

We have historically operated under a “de-coupling structure,” meaning that our business model currently involves a supply, which is the sale of goods to end consumers, by our retailers and brands, and then a separate supply by us comprising the shipping of those goods to the end consumers. However, the European Commission and courts in the United Kingdom are currently considering the effectiveness of such a structure from an indirect tax viewpoint. If this leads to a change in legislation or a change in interpretation of current legislation, we could be assessed to additional amounts of value added tax. To provide more certainty, we are transitioning our business model to one in which we will act as an “undisclosed agent” or “commissionaire” of our retailers and brands. For the purposes of calculating value added tax, our end consumers will contract with and be invoiced by us and there will be a supply by us to the end consumer of goods and other related services, although the legal sale of goods will continue to be between our retailers and brands and the end consumer. Such a transition is intended to provide greater certainty to our value added tax accounting position without materially increasing our overall value added tax liabilities.
Our ability to achieve our business and financial objectives is subject to risks and uncertainties. Implementing the new business model requires a considerable investment of technical, financial and legal resources. If we are unable to successfully establish our new business model, our business, results of operations, financial condition and prospects could be negatively impacted.

We may be subject to claims that items listed on our website, or their descriptions, are counterfeit, infringing or illegal.

We occasionally receive communications alleging that items listed on our Marketplace infringe third-party copyrights, trademarks or other intellectual property rights. We have intellectual property complaint and take-down procedures in place to address these communications. We follow these procedures to review complaints and relevant facts to determine the appropriate action, which may include removal of the item from our website and, in certain cases, discontinuing our relationship with a retailer or brand who repeatedly violates our policies. However, our procedures may not effectively reduce or eliminate our liability. In particular, we may be subject to civil or criminal liability for activities carried out, including products listed, by retailers or brands on our platform.

Regardless of the validity of any claims made against us, we may incur significant costs and efforts to defend against or settle them and such claims could lead to negative publicity and damage to our reputation. If a governmental authority determines that we have aided and abetted the infringement or sale of counterfeit goods, we could face regulatory, civil or criminal penalties. Successful claims by third-party rights owners could require us to pay substantial damages or refrain from permitting any further listing of the relevant items. These types of claims could force us to modify our business practices, which could lower our revenue, increase our costs or make our Marketplace less user friendly. Moreover, public perception that counterfeit or other unauthorized items are common on our Marketplace, even if factually incorrect, could result in negative publicity and damage to our reputation.

If our retailers and brands experience any recalls, product liability claims, or government, customer or consumer concerns about product safety with respect to products sold on our Marketplace, our reputation and sales could be harmed.

Our retailers and brands are subject to regulation by the U.S. Consumer Product Safety Commission and similar state and international regulatory authorities, and their products sold on our platform could be subject to involuntary recalls and other actions by these authorities. Concerns about product safety, including concerns about the safety of products manufactured in developing countries, could lead our retailers and brands to recall selected products sold on our Marketplace. Recalls and government, customer or consumer concerns about product safety could harm our reputation and reduce sales, either of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our global operations involve additional risks, and our exposure to these risks will increase as our business continues to expand.

We operate in a number of jurisdictions and intend to continue to expand our global presence, including in emerging markets. We face complex, dynamic and varied risk landscapes in the markets in which we operate. As we enter countries and markets that are new to us, we must tailor our services and business model to the unique circumstances of such countries and markets, which can be complex, difficult, costly and divert management and personnel resources. In addition, we may face competition in other countries from companies that may have more experience with operations in such countries or with global operations in general. Laws and business practices that favor local competitors or prohibit or limit foreign ownership of certain businesses or our failure to adapt our practices, systems, processes and business models effectively to the consumer and supplier preferences of each country into which we expand, could slow our growth. Certain markets in which we operate have, or certain new markets in which we may operate in the future may have, lower margins than our more mature markets, which could have a negative impact on our overall margins as our revenue from these markets grow over time.
In addition to the risks outlined elsewhere in this section, our global operations are subject to a number of other risks, including:

- currency exchange restrictions or costs and exchange rate fluctuations;
- exposure to local economic or political instability, threatened or actual acts of terrorism and security concerns in general;
- compliance with various laws and regulatory requirements relating to anti-corruption, antitrust or competition, economic sanctions, data content, data protection and privacy, consumer protection, employment and labor laws, health and safety, and advertising and promotions;
- differences, inconsistent interpretations and changes in various laws and regulations, including international, national, state and provincial and local tax laws;
- weaker or uncertain enforcement of our contractual and intellectual property rights;
- preferences by local populations for local providers;
- slower adoption of the internet and mobile devices as advertising, broadcast and commerce mediums and the lack of appropriate infrastructure to support widespread internet and mobile device usage in those markets;
- our ability to support new technologies, including mobile devices, that may be more prevalent in certain global markets;
- difficulties in attracting and retaining qualified employees in certain international markets, as well as managing staffing and operations due to increased complexity, distance, time zones, language and cultural differences; and
- uncertainty regarding liability for services and content, including uncertainty as a result of local laws and lack of precedent.

The United Kingdom’s expected withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

We are a multinational company with worldwide operations, including significant business operations in Europe. The United Kingdom is due to leave the European Union on March 29, 2019. Negotiations between the United Kingdom and the European Union remain ongoing and are complex, and there can be no assurance regarding the terms (if any) or timing of any resulting agreement. The withdrawal process has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and this may have political consequences not only in the United Kingdom, but also in other European Union member states.

Although the terms upon which the United Kingdom is expected to withdraw from the European Union are still being negotiated, it is possible that such withdrawal could lead to greater restrictions on the free movement of goods, services, people and capital, and increased regulatory complexities. As we are headquartered in the United Kingdom, any such restrictions on the movement of goods and services could have a material adverse effect on our operations. Increased complexities related to the import and export of products, imposition of duties, transfers of personal data and changes in item pricing may impact our consumer experience and have a material adverse effect on our business and results of operations. In addition, a possible restriction on the free movement of people between the United Kingdom and the European Union could have a material adverse effect on us, since we compete in these jurisdictions for well qualified employees in all aspects of our business, including software engineers and other technology professionals. Any impact on our ability to attract new employees and to retain existing employees in their current jurisdictions could decrease our competitiveness and have a material adverse effect on our business and results of operations.

These developments, and their potential consequences, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Additionally, asset valuations, currency exchange rates and credit ratings have been and may continue to be
subject to increased market volatility. Lack of clarity about future UK laws and regulations, including financial laws and regulations, tax and free trade agreements, immigration and employment laws, could increase costs, depress economic activity, impair our ability to attract and retain qualified personnel and have other adverse consequences. Any of these factors may have a material adverse effect on our business, results of operations, financial condition and prospects.

**We may be subject to general litigation, regulatory disputes and government inquiries.**

As a growing company with expanding operations, we have in the past faced, and may in the future increasingly face, the risk of claims, lawsuits, government investigations, and other proceedings involving competition and antitrust, intellectual property, privacy, consumer protection, accessibility claims, securities, tax, labor and employment, commercial disputes, services and other matters. The number and significance of these disputes and inquiries have increased as the political and regulatory landscape changes, and as we have grown larger and expanded in scope and geographic reach, and our services have increased in complexity.

We cannot predict the outcome of such disputes and inquiries with certainty. Regardless of the outcome, these can have an adverse impact on us because of legal costs, diversion of management resources, and other factors. Determining reserves for any litigation is a complex and fact-intensive process that is subject to judgment calls. It is possible that a resolution of one or more such proceedings could require us to make substantial payments to satisfy judgments, fines or penalties or to settle claims or proceedings, any of which could harm our business. These proceedings could also result in reputational harm, criminal sanctions, consent decrees or orders preventing us from offering certain products, or services, or requiring a change in our business practices in costly ways or requiring development of non-infringing or otherwise altered products or technologies. Litigation and other claims and regulatory proceedings against us could result in unexpected expenses and liabilities, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

**We are subject to regulatory activity and antitrust litigation under competition laws.**

We are subject to scrutiny by various government agencies, including competition authorities. Some jurisdictions also provide private rights of action for competitors or consumers to assert claims of anti-competitive conduct. Other companies or government agencies have in the past and may in the future allege that our actions violate the antitrust or competition laws of the European Commission or other countries or otherwise constitute unfair competition. We do not control the pricing strategies of our retailers and brands (other than Browns), and such pricing strategies may be subject to challenges from various government agencies including competition authorities. An increasing number of governments are regulating competition law activities, including increased scrutiny in large markets such as China. Our business partnerships or agreements or arrangements with customers or other companies could give rise to regulatory action or antitrust litigation. In July 2017, Carré Couture, a small European competitor, which was declared bankrupt in May 2018, filed a complaint with the European Commission claiming that our retailer partnership agreements restrict competition because we ask retailers to commit to the relationship and list their inventory with us and not on competing platforms. We have responded to the allegations, and the complaint is pending. Complaints often remain open for a considerable period of time for procedural reasons. The European Commission is under a legal obligation to assess complaints, and unless a complaint is withdrawn, it must reject it by a formal decision where it takes the view that there are no grounds for action. Due to this process, complaints often remain open for several years. Some regulators may perceive our business to be used so broadly that otherwise uncontroversial business practices could be deemed anticompetitive. Certain competition authorities have conducted market studies of our industries. Such claims and investigations, even if without foundation, may be very expensive to defend, involve negative publicity and substantial diversion of management time and effort and could result in significant judgments against us or require us to change our business practices.

**Risks Relating to our Intellectual Property**

*Failure to adequately protect, maintain or enforce our intellectual property rights could substantially harm our business and results of operations.*

We rely on a combination of trademark, copyright, confidential information, trade secrets and patent law, and contractual restrictions to protect our intellectual property. The protection offered by these has its limitations.
Despite our efforts to protect and enforce our proprietary rights, unauthorized parties have used, and may in the future use, our trademarks or similar trademarks, copy aspects of our website images, features, compilation and functionality or obtain and use information that we consider as proprietary, such as the technology used to operate our website or our content.

We do not have comprehensive registered protection for all of our brands in all jurisdictions around the world. There is no guarantee that our pending trademark applications for any brand will proceed to registration, and even those trademarks that are registered could be challenged by a third party including by way of revocation or invalidity actions. Our competitors have adopted, and other competitors may adopt, service names similar to ours, thereby impeding our ability to build brand identity and possibly diluting our brand and leading to brand dilution or consumer confusion. In addition, there could be potential trade name or trademark ownership or infringement claims brought by owners of other rights, including registered trademarks, in our marks or marks similar to ours, including FARFETCH and BROWNS. Any such claims, brand dilution or consumer confusion related to our brands (including our trademarks) could damage our reputation and brand identity and substantially harm our business and results of operations.

In addition to our registered trademark protection, we have several published and unpublished patent applications in the United Kingdom, Europe and internationally, for aspects of our proprietary technology and we may file further patent applications in the future. There is no guarantee that these will result in issued patents, and even if these proceed to grant, they could be vulnerable to challenge by third parties, or their claims could be narrowed in scope by the issuing patent office such that they no longer adequately protect our proprietary technology. Further, we may decide not to pursue a patent application for an innovation due to the high costs, diversion of management time, and publication of the underlying innovation that arises from an application. The loss of our material intellectual property as a result of any claims or challenges, or the natural expiry of our intellectual property registrations, could have a material adverse effect on our business, results of operations, financial condition and prospects.

Domain names generally are regulated by internet regulatory bodies, and the regulation of domain names is subject to change. Regulatory bodies have and may continue to establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. We may not be able to, or it may not be cost effective to, acquire or maintain all domain names that utilize the name “Farfetch” or other business brands in all of the countries in which we currently conduct or intend to conduct business. If we lose the ability to use a domain name, we could incur significant additional expenses to market our products within that country, including the development of new branding. This could substantially harm our business, results of operations, financial condition and prospects.

We rely on multiple software programmers (as employees or independent consultants) to design our proprietary technologies and photographers (as employees or independent consultants) to capture the products sold on our platform. Although we make every effort to ensure appropriate and comprehensive assignment or license terms are included in the contracts with such third parties, we cannot guarantee that we own or are properly licensed to use all of the intellectual property in such software or images. If we do not have, or lose our ability to use, such software or images, we could incur significant additional expense to remove such assets from our platform or re-engineer a portion of our technologies.

Litigation or similar proceedings have been necessary in the past and may be necessary in the future to protect, register and enforce our intellectual property rights, to protect our trade secrets and domain names and to determine the validity and scope of the proprietary rights of others. Further, any changes in law or interpretation of any such laws, particularly intellectual property laws, may impact our ability to protect, register or enforce our intellectual property rights. Any litigation or adverse priority proceeding could result in substantial costs and diversion of resources and could substantially harm our business, results of operations, financial condition and prospects.
Assertions by third parties of infringement or misappropriation by us of their intellectual property rights or confidential know how could result in significant costs and substantially harm our business and results of operations.

Third parties have, and may in the future, assert that we have infringed or misappropriated their trademarks, copyrights, confidential know how, trade secrets, patents or other intellectual property rights. We cannot predict whether any such assertions or claims arising from such assertions will substantially harm our business and results of operations, whether or not they are successful. If we are forced to defend against any infringement or other claims relating to the trademarks, copyright, confidential know how, trade secrets, patents or other intellectual property rights of third parties, whether they are with or without merit or are determined in our favor, we may face costly litigation or diversion of technical and management personnel. Furthermore, the outcome of a dispute may be that we would need to cease use of some portion of our technology, develop non-infringing technology, pay damages, costs or monetary settlements or enter into royalty or licensing agreements. Royalty or licensing agreements, if required, may be unavailable on terms acceptable to us, or at all. Any such assertions or litigation could materially adversely affect our business, results of operations, financial condition and prospects.

In 2008 and 2009, a party related to Farfetch founder José Neves (the “Related Party”) executed two agreements (the “KH Licenses”) purporting to license certain know how (the “Know How”) from the Related Party to two third-party LLPs (the “LLPs”). The Know How was a high level explanation of the Farfetch platform and business model. The 2008 KH License expired in April 2018, and the 2009 KH License expires in April 2019. The KH Licenses did not include a license of any software code. The LLPs granted intra-group sub-licenses of the collective Know How under the KH Licenses, which was then further sub-licensed under two direct “Product and Development and Marketing Support Agreements” with Farfetch in 2008 and 2009, respectively (the “Direct Agreements”), in order for Farfetch to, among other services, develop the code, website architecture and brand that comprised the original Farfetch offering (the “Developed IP”). Under the terms of the Direct Agreements, the third party, rather than Farfetch, owned the Developed IP. In 2011, the licensing structure was amended and the intra-group sub-licenses from the LLPs were superseded by licenses of the Know How granted by each of the LLPs to Mr. Neves, who licensed such Know How (by way of a sub-sub-license) to Farfetch. Finally in 2011, the Direct Agreements were terminated, and the Developed IP was assigned from the third-party group to Farfetch.

In 2013, the Related Party executed a “Declaration regarding copyrights and intellectual property rights” (the “Declaration”), which declared that, among other things, between the period November 16, 1996 to February 27, 2010, the Related Party has not created any works or done anything which could originate intellectual property rights (defined to include know how) in connection with any of the entities in the original license chain (including Farfetch); any unknown intellectual property generated by the Related Party and used, licensed or in any other way exploited by those entities (including Farfetch) is transferred in full to Mr. Neves; and the Related Party agrees that any intellectual property in use by the above entities that were to become recognized by a court as belonging to the Related Party shall be transferred to Mr. Neves for €500. On April 29, 2014, Mr. Neves assigned all of his intellectual property rights and know how (including that obtained under the Declaration) to Farfetch.com. While seemingly conclusive, it is possible that the Declaration could be challenged. Although we do not expect our right to use the Know How to be successfully challenged, any such challenge could give rise to: (1) temporary injunctive relief which could restrict the use of such Know How by Farfetch and therefore operations of our business; (2) reputational damage; and/or (3) damages payable by Farfetch to the Related Party for any period of unauthorized use of the Know How following expiry of the KH License(s), any of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our use of open source software may pose particular risks to our proprietary software and systems.

We use open source software in our proprietary software and systems and will use open source software in the future. The licenses applicable to our use of open source software may require that source code that is developed using open source software be made available to the public and that any modifications or derivative works to certain open source software continue to be licensed under open source licenses. From time to time, we may face claims from third parties claiming infringement of their intellectual property rights, or demanding the release or license of the open source software or derivative works that we developed using such software (which could include our proprietary source code) or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to purchase a costly license, publicly release the affected
portions of our source code, be limited in or cease using the implicated software unless and until we can re-engineer such software to avoid infringement or change the use of, or remove, the implicated open source software. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties, indemnities or other contractual protections with respect to the software (for example, non-infringement or functionality). Our use of open source software may also present additional security risks because the source code for open source software is publicly available, which may make it easier for hackers and other third parties to determine how to breach our website and systems that rely on open source software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a material adverse effect on our business, results of operations, financial condition and prospects.

Risks Relating to Ownership of our Class A Ordinary Shares

Our operating results and Class A ordinary share price may be volatile, and the market price of our Class A ordinary shares may drop below the price you pay.

Our quarterly operating results are likely to fluctuate in the future in response to numerous factors, many of which are beyond our control, including each of the factors set forth above.

In addition, securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could subject the market price of our Class A ordinary shares to wide price fluctuations regardless of our operating performance. Our operating results and the trading price of our Class A ordinary shares may fluctuate in response to various factors, including the risks described above.

These and other factors, many of which are beyond our control, may cause our operating results and the market price and demand for our Class A ordinary shares to fluctuate substantially. Fluctuations in our quarterly operating results could limit or prevent investors from readily selling their Class A ordinary shares and may otherwise negatively affect the market price and liquidity of Class A ordinary shares. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the shares. If any of our shareholders bring a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

Our chief executive officer, José Neves, has considerable influence over important corporate matters due to his ownership of us. Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares may view as beneficial.

Our chief executive officer, Mr. Neves, has considerable influence over important corporate matters due to his ownership of us. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share in respect of matters requiring the votes of shareholders, while holders of Class B ordinary shares are entitled to 20 votes per share, subject to certain exceptions. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or other entity, other than an affiliate of Mr. Neves, such Class B ordinary shares will be automatically and immediately converted into the equal number of Class A ordinary shares. Due to the disparate voting powers associated with our two classes of ordinary shares, Mr. Neves holds approximately 76.6% of the aggregate voting power of our company. As a result, Mr. Neves has considerable influence over matters such as electing or removing directors, approving any amendments to our Articles and approving material mergers, acquisitions or other business combination transactions. In addition, under our Articles, our board of directors (“Board”) will not be able to form a quorum without Mr. Neves for so long as Mr. Neves remains a director. This concentrated control will limit your ability to influence corporate matters and could also discourage others from pursuing any potential merger, takeover or other change of control transactions, which could have the effect of depriving the holders of our Class A ordinary shares of the opportunity to sell their shares at a premium over the prevailing market price.

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We are eligible to be treated as an emerging growth company, as defined in the Securities Act, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A ordinary shares less attractive to investors because we may rely on these exemptions.

We are eligible to be treated as an emerging growth company, as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2002, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including presenting only limited selected financial data and not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. As a result, our shareholders may not have access to certain information that they may deem important. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if our total annual gross revenue exceeds $1.07 billion, if we issue more than $1.00 billion in non-convertible debt securities during any three-year period, or if we are a large accelerated filer and the market value of our Class A ordinary shares held by non-affiliates exceeds $700 million as of the end of any second quarter before that time. We cannot predict if investors will find our Class A ordinary shares less attractive because we may rely on these exemptions. If some investors find our Class A ordinary shares less attractive as a result, there may be a less active trading market for our Class A ordinary shares and our share price may be more volatile.

We qualify as a foreign private issuer and, as a result, we are not subject to U.S. proxy rules and are subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. domestic public company.

We report under the Exchange Act of 1934, as amendment (“Exchange Act”) as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act and although we are subject to Cayman laws and regulations with regard to such matters and intend to furnish quarterly financial information to the SEC, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic companies, including (1) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (2) the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (3) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, although we intend to provide selected quarterly information on Form 6-K. In addition, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are large accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year and U.S. domestic issuers that are large accelerated filers are required to file their annual report on Form 10-K within 60 days after the end of each fiscal year. Foreign private issuers are also exempt from Regulation FD, which is intended to prevent issuers from making selective disclosures of material information. As a result of all of the above, you may not have the same protections afforded to shareholders of a company that is not a foreign private issuer.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

As discussed above, we are a foreign private issuer, and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer’s most recently completed second fiscal quarter, and, accordingly, the next determination will be made with respect to us on June 30, 2019. In the future, we would lose our foreign private issuer status if (1) more than 50% of our outstanding voting securities are owned by U.S. residents and (2) a majority of our directors or executive officers are U.S. citizens or residents, or we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. If we lose our foreign private issuer status, we will be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms, which are more detailed and extensive than the forms available to a foreign private issuer. We will also have to mandatorily comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we will lose our ability to rely upon exemptions from certain corporate governance requirements under the listing rules of the New York Stock Exchange (“NYSE”). As a U.S. listed public company that is not a foreign

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As we are a foreign private issuer and intend to follow certain home country corporate governance practices, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all NYSE corporate governance requirements.

As a foreign private issuer, we have the option to follow certain home country corporate governance practices rather than those of the NYSE, provided that we disclose the requirements we are not following and describe the home country practices we are following. We intend to rely on this “foreign private issuer exemption” with respect to the NYSE requirements to have the audit committee appoint our external auditors, the NYSE rules for shareholder meeting quorums and record dates and the NYSE rules requiring shareholders to approve equity compensation plans and material revisions thereto. We may in the future elect to follow home country practices with regard to other matters. As a result, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all NYSE corporate governance requirements.

As a public reporting company, we are subject to rules and regulations established from time to time by the SEC regarding our internal control over financial reporting. If we fail to put in place appropriate and effective internal controls over financial reporting and disclosure controls and procedures, we may not be able to accurately report our financial results, or report them in a timely manner, which may adversely affect investor confidence in us and, as a result, the value of our Class A ordinary shares.

As a public company, we will be required to report, among other things, control deficiencies that constitute a “material weakness” or changes in internal controls that, or that are reasonably likely to, materially affect internal controls over financial reporting. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

In connection with the audit of the financial year ended December 31, 2017, we identified certain control deficiencies in the design and operation of our internal controls over our financial reporting that constituted material weaknesses. The control deficiencies resulted from (1) our technology access and change control environment not supporting an efficient or effective internal control framework and (2) reliance on manual processes.

Following the identification of these material weaknesses, we have taken steps to address these control deficiencies and continue to implement our remediation plan, which we believe will address their underlying causes. We are executing on our remediation plan for these material weaknesses by establishing more robust processes supporting internal control over financial reporting, implementing formal access and change controls to our systems, and automation of a number of system interfaces to improve our information technology systems. In addition, we have hired and will continue to hire additional accounting, finance and technology personnel. However, these material weaknesses may not be fully remediated until we have operated our business with these controls in place for a sufficient period of time. See Item 15. “Controls and Procedures” for additional information of the identified material weaknesses and related remediation plan.

If we are unable to remediate our material weaknesses and implement and maintain effective internal control over information technology and financial reporting and effective disclosure controls and procedures, or if we fail to meet the other demands that will be placed upon us as a public company, including the requirements of Section 404 of the Sarbanes-Oxley Act, we may be unable to accurately report our financial results, or report them within the timeframes required by the SEC.
As we continue to evaluate and work to improve our internal control over financial reporting, management may determine to take additional measures, modify the remediation plan described above or identify additional control deficiencies or material weaknesses. We cannot assure you that our remediation plan will be sufficient to prevent future material weaknesses from occurring. There is no assurance that we will not identify additional material weaknesses or deficiencies in our internal control over financial reporting in the future.

If our senior management is unable to conclude that we have effective internal control over financial reporting, or to certify the effectiveness of such controls, or if our independent registered public accounting firm cannot render an unqualified opinion on our internal control over financial reporting, when required, or if additional material weaknesses or deficiencies in our internal controls are identified, we could be subject to sanctions or investigations by the NYSE, the SEC or other regulatory authorities, investors may lose confidence in the accuracy and completeness of our financial reports, we may face restricted access to the capital markets and our share price may be adversely affected.

We will continue to incur increased costs as a result of operating as a public company, and our management will be required to continue to devote substantial time to new compliance initiatives and corporate governance practices.

As a public company, and particularly after we are no longer an emerging growth company, we will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NYSE and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel will need to continue to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will continue to increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and could also make it more difficult for us to attract and retain qualified members of our Board.

We are continuing to evaluate these rules and regulations and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. These rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

As a publicly traded company, we will be required to comply with the SEC’s rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of control over financial reporting. Though we are required to disclose material changes in internal control over financial reporting on an annual basis, as a company in transition we will only be required to make our first annual assessment of our internal control over financial reporting pursuant to Section 404 for fiscal year 2019, and management’s report related to such assessment will be included in our Annual Report on Form 20-F for the fiscal year ended December 31, 2019 to be filed in 2020. Additionally, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. We currently have limited accounting personnel and we have begun the process of evaluating the adequacy of our accounting personnel staffing level and other matters related to our internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial
markets due to a loss of confidence in the reliability of our financial statements. As a result, the market price of our Class A ordinary shares could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

We may not pay dividends on our Class A ordinary shares in the future and, consequently, your ability to achieve a return on your investment will depend on the appreciation in the price of our Class A ordinary shares. We may not pay any cash dividends on our Class A ordinary shares in the future. Any decision to declare and pay dividends in the future will be made at the discretion of our Board and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our Board may deem relevant. In addition, our ability to pay dividends is, and may be, limited by covenants of existing and any future outstanding indebtedness we or our subsidiaries incur. Therefore, any return on investment in our Class A ordinary shares is solely dependent upon the appreciation of the price of our Class A ordinary shares on the open market, which may not occur. See Item 8. “Consolidated Statements and Other Financial Information – Dividend Policy.”

Our shareholders may face difficulties in protecting their interests because we are a Cayman Islands exempted company.

Our corporate affairs are governed by our Articles, the Companies Law and the common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under the laws of the Cayman Islands are not as clearly defined as under statutes or judicial precedent in existence in jurisdictions in the United States. Therefore, you may have more difficulty protecting your interests than would shareholders of a corporation incorporated in a jurisdiction in the United States, due to the comparatively less well-developed Cayman Islands law in this area.

A merger or consolidation may proceed under Cayman Islands law in one of two ways: by a court-sanctioned scheme of arrangement or by a statutory merger: While Cayman Islands law allows a shareholder objecting to a court-sanctioned scheme of arrangement to express a view that such scheme of arrangement would not provide fair value for the shareholder’s shares, Cayman Islands statutory and common law in respect of schemes of arrangement does not specifically provide for shareholder appraisal rights in connection with a merger or consolidation effected by a scheme of arrangement of a company that has otherwise received the prescribed shareholder approval. This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation effected by a scheme of arrangement or to require that the acquirer gives you additional consideration if you believe the consideration offered is insufficient. However, in the event of a merger or consolidation consummated under the statutory merger regime, Cayman Islands law does provide a mechanism for a dissenting shareholder to require us to apply to the Grand Court for a determination of the fair value of the dissenter’s shares if it is not possible for the company and the dissenter to agree on a fair price within the time limits prescribed.

Shareholders of Cayman Islands exempted companies, such as ours, have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders. Our directors have discretion under our Articles to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

It should be noted that the Cayman Islands law has no legislation specifically dedicated to the rights of investors in securities, and thus no statutorily defined private causes of action to investors in securities such as those found under the Securities Act or the Exchange Act in the United States. Subject to limited exceptions, under Cayman Islands law, a shareholder may not bring a derivative action against the board of directors. Class actions are
As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by our management or members of our Board than they would as public shareholders of a company incorporated in the United States.

**Anti-takeover provisions in our organizational documents may discourage or prevent a change of control, even if an acquisition would be beneficial to our shareholders, which could depress the price of our Class A ordinary shares and prevent attempts by our shareholders to replace or remove our current management.**

Our Articles contain provisions that may discourage unsolicited takeover proposals that shareholders may consider to be in their best interests. Our Board may be removed by an ordinary resolution of our shareholders. In addition, Board vacancies may be filled by an affirmative vote of the remaining Board members. Following the conversion of the Class B ordinary shares the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively as determined by the chairman of our Board at the relevant time, and directors will generally be elected to serve staggered three year terms. These provisions may make it more difficult to remove management.

Our Board has the ability to designate the terms of and issue preferred shares without shareholder approval.

Our Articles contain a prohibition on business combinations with any “interested” shareholder for a period of three years after such person becomes an interested shareholder unless (1) there is advance approval of our Board, (2) the interested shareholder owns at least 85% of our voting shares at the time the business combination commences or (3) the combination is approved by shareholders holding at least two-thirds of the votes attaching to the ordinary shares that are not held by the interested shareholder.

Taken together, these provisions may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our Class A ordinary shares.

**There may be difficulties in enforcing foreign judgments against us, our directors or our management, as well as against the selling shareholders.**

Certain of our directors and management and certain of the other parties named in this annual report reside outside the United States. Most of our assets and such persons’ assets are located outside the United States. As a result, it may be difficult or impossible for investors to effect service of process upon us within the United States or other jurisdictions, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws.

In particular, investors should be aware that there is uncertainty as to whether the courts of the Cayman Islands or any other applicable jurisdictions would recognize and enforce judgments of U.S. courts obtained against us or our directors or our management as well as against the selling shareholders predicated upon the civil liability provisions of the securities laws of the United States, or any state in the United States or entertain original actions brought in the Cayman Islands or any other applicable jurisdictions courts against us, our directors or our management, as well as against the selling shareholders predicated upon the securities laws of the United States or any state in the United States.

**Farfetch Limited is a holding company with no operations of its own and, as such, it depends on its subsidiaries for cash to fund its operations and expenses, including future dividend payments, if any.**

As a holding company, our principal source of cash flow will be distributions or payments from our operating subsidiaries. Therefore, our ability to fund and conduct our business, service our debt and pay dividends, if any, in the future will depend on the ability of our subsidiaries and intermediate holding companies to make upstream cash distributions or payments to us, which may be impacted, for example, by their ability to generate sufficient cash flow or limitations on the ability to repatriate funds whether as a result of currency liquidity.
restrictions, monetary or exchange controls or otherwise. Our operating subsidiaries and intermediate holding companies are separate legal entities, and although they are directly or indirectly wholly owned and controlled by us, they have no obligation to make any funds available to us, whether in the form of loans, dividends or otherwise. To the extent the ability of any of our subsidiaries to distribute dividends or other payments to us is limited in any way, our ability to fund and conduct our business, service our debt and pay dividends, if any, could be harmed.

**If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our Class A ordinary shares adversely, our share price and trading volume of our Class A ordinary shares could decline.**

The trading market for our Class A ordinary shares is influenced by the research and reports that industry or securities analysts publish about us, our business, our market or our competitors. If any of the securities or industry analysts who cover us or may cover us in the future change their recommendation regarding our Class A ordinary shares adversely, or provide more favorable relative recommendations about our competitors, the price of our Class A ordinary shares would likely decline. If any securities or industry analyst who covers us or may cover us in the future were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume of our Class A ordinary shares to decline.

**We may be treated as a passive foreign investment company, which could result in material adverse tax consequences for investors in the Class A ordinary shares subject to U.S. federal income tax.**

We would be classified as a passive foreign investment company (“PFIC”) for any taxable year if, after the application of certain look-through rules, either: (1) 75% or more of our gross income for such year is “passive income” as defined in the relevant provisions of the Internal Revenue Code of 1986, as amended (the “Code”), or (2) 50% or more of the value of our assets, determined on the basis of a quarterly average, during such year is attributable to assets that produce or are held for the production of passive income. Based on the currently anticipated market capitalization, and composition of our income, assets and operations, we do not expect to be treated as a PFIC for the taxable year that ended on December 31, 2018, or in the foreseeable future. However, our status as a PFIC in any taxable year requires a factual determination that depends on, among other things, the composition of our income, assets, and activities in each year, and can only be made annually after the close of each taxable year. Therefore, there can be no assurance that we will not be classified as a PFIC for the current taxable year or for any future taxable year. If we are treated as a PFIC for any taxable year during which a U.S. Holder (as defined in “U.S. Federal Income Tax Considerations”) holds the Class A ordinary shares, the U.S. Holder may be subject to material adverse tax consequences upon a sale, exchange, or other disposition of the Class A ordinary shares, or upon the receipt of distributions in respect of the Class A ordinary shares. We cannot provide any assurances that we will assist investors in determining whether we or any of our non-U.S. subsidiaries are a PFIC for any taxable year. U.S. Holders should consult their tax advisors about the potential application of the PFIC rules to their investment in the Class A ordinary shares. For further discussion, see “U.S. Federal Income Tax Considerations.”

**If a United States person is treated as owning at least 10% of our shares, such holder may be subject to adverse U.S. federal income tax consequences.**

Depending upon the aggregate value and voting power of our shares that U.S. persons are treated as owning (directly, indirectly, or constructively), we could be treated as a controlled foreign corporation (“CFC”). Additionally, because our group consists of one or more U.S. subsidiaries, under recently-enacted rules, certain of our non-U.S. subsidiaries could be treated as CFCs, regardless of whether or not we are treated as a CFC (although there is currently a pending legislative proposal to significantly limit the application of these rules). If a U.S. person is treated as owning (directly, indirectly or constructively) at least 10% of the value or voting power of our shares, such person may be treated as a “U.S. shareholder” with respect to each CFC in our group (if any), which may subject such person to adverse U.S. federal income tax consequences. Specifically, a U.S. shareholder of a CFC may be required to annually report and include in its U.S. taxable income its pro rata share of each CFC’s “Subpart F income,” “global intangible low-taxed income” and investments in U.S. property, whether or not we make any distributions of profits or income of a CFC to such U.S. shareholder. If you are treated as a U.S. shareholder of a CFC, failure to comply with these reporting obligations may subject you to significant monetary penalties and may
prevent the statute of limitations with respect to your U.S. federal income tax return for the year for which reporting was due from starting. Additionally, a U.S. shareholder that is an individual would generally be denied certain tax deductions or indirect foreign tax credits that may otherwise be allowable to a U.S. shareholder that is a U.S. corporation. We cannot provide any assurances that we will assist investors in determining whether we or any of our non-U.S. subsidiaries are treated as CFCs or whether any investor is treated as a U.S. shareholder with respect to any of such CFC, nor do we expect to furnish to any U.S. shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations. U.S. investors should consult their own advisors regarding the potential application of these rules to their investment in the Class A ordinary shares.

Item 4. Information on the Company

A. History and Development of the Company

Corporate Information

We were incorporated in the Cayman Islands on May 15, 2018 as an exempted company with limited liability under the Companies Law. Exempted companies are Cayman Islands companies whose operations are conducted mainly outside the Cayman Islands. Our principal executive offices are located at The Bower, 211 Old Street, London EC1V 9NR, United Kingdom. Our telephone number at this address is +44 (0) 20 7549 5400. Prior to our incorporation in the Cayman Islands, we conducted our business through Farfetch.com Limited, incorporated with limited liability under the laws of the Isle of Man with registered number 000657V, and its subsidiaries.

The Reorganization Transactions

In connection with our IPO, we formed Farfetch Limited and effected a reorganization, whereby all holders of warrants over Farfetch.com shares, except a holder of 189,995 warrants that remain outstanding, exercised their warrants into the applicable class of shares, and the outstanding shares of Farfetch.com were exchanged for shares of Farfetch Limited with equivalent rights. Following this exchange, the ordinary shares, the restricted linked ordinary shares and the preference shares held by the shareholders of Farfetch Limited were converted into ordinary shares of Farfetch Limited and subsequently converted into for Class A ordinary shares and Class B ordinary shares, as applicable. Outstanding options of Farfetch.com were also released in exchange for the grant of options with equivalent rights over Class A ordinary shares of Farfetch Limited. As a result of these transactions our business is now conducted through Farfetch Limited and its subsidiaries. We refer to all of these events as the “Reorganization Transactions.”

Private Placement

On June 21, 2017, Kadi Group Holding Limited (“Kadi Group”), a wholly owned subsidiary of JD.com Inc. (“JD.com”), completed the purchase of an equity interest in Farfetch.com. In connection with Kadi Group's purchase of shares in Farfetch.com, Kadi Group and Farfetch.com entered into a forward purchase agreement, as amended, pursuant to which, subject to certain conditions, we agreed to issue and Kadi Group agreed to subscribe for one-third of such number of shares (at a price per share equal to the initial public offering price per share) that would result in Kadi Group maintaining its percentage holding, or 13.94%, of our issued and outstanding share capital on a fully diluted basis immediately following our IPO. Kadi Group has agreed not to sell or transfer any of our Class A ordinary shares it held immediately prior to our IPO during the two-year period commencing from the consummation of our IPO, subject to limited exceptions. We refer to the foregoing as the “concurrent private placement.” See Item 7. “Major Shareholders and Related Party Transactions—B. Related Party Transactions—Relationships with Kadi Group Holding Limited.”

B. Business Overview

Our Mission

Farfetch exists for the love of fashion. We believe in empowering individuality. Our mission is to be the global technology platform for luxury fashion, connecting creators, curators and consumers.
Overview

Farfetch is the leading technology platform for the global luxury fashion industry. We operate the only truly global luxury digital marketplace at scale, seamlessly connecting brands, retailers and consumers. We are redefining how fashion is bought and sold through technology, data and innovation. We were founded ten years ago, and through significant investments in technology, infrastructure, people and relationships, we have become a trusted partner to luxury brands and retailers alike.

The global market for personal luxury goods was estimated to be worth $307 billion in 2018 and is expected to reach $446 billion by 2025, according to Bain, and is largely characterized by family-controlled companies, brand integrity, longstanding relationships and fragmented supply. In addition, luxury sellers require a high-quality environment in which to sell their merchandise. As a result, these sellers have been cautious in their adoption of emerging commerce technologies.

The global luxury market is evolving, driven by an accelerating shift of consumers to online discovery and purchase, the increasing importance of Millennials and the growth of luxury consumption in China and other emerging markets. We connect a global consumer base to the highly fragmented global supply of luxury fashion, and we have established ourselves as the innovation partner to the luxury industry.

We are a technology company at our core and have created a purpose-built platform for the luxury fashion industry. Our platform consists of three main components:

• **Applications**. The Farfetch Marketplace is the primary application on our platform. In addition, we continue to build other offerings under our Farfetch Platform Solutions banner, including Farfetch Black & White Solutions and Farfetch Store of the Future.

• **Services**. We have invested in and developed an integrated service offering, including content creation and end-to-end logistics. This enables us to offer the high-quality environment required by the luxury ecosystem.

• **Data**. We use our rich data sets and proprietary algorithms to deliver an enhanced consumer experience and create better businesses for retailers and brands. Our data insights drive operational efficiencies that create value for all partners on our platform.

The Farfetch Marketplace is the first and largest application built on our platform and is currently the source of over 90% of our revenue. We operate the largest digital luxury marketplace in the world. As of December 31, 2018, the Farfetch Marketplace connected over 2.8 million Marketplace consumers in 190 countries to over 1,000 luxury sellers. For consumers, we provide curated access to the highly fragmented supply of luxury merchandise. For luxury sellers, which includes 640 retailers and 382 brands who sell directly on the Farfetch Marketplace, we facilitate connection to the deepest pool of luxury consumers across the world. Aggregating a large number of luxury sellers requires long and careful relationship building and acts as a significant barrier to entry. We have carefully nurtured these relationships for a decade. Our Marketplace model allows us to offer the broadest and deepest selection of luxury fashion available online globally, while incurring minimal inventory risk and without capital-intensive retail operations.

We are reinventing how consumers discover and engage with luxury fashion. We facilitate the discovery of new brands, provide tools to allow consumers to find the items they are looking for and inspire lovers of fashion around the world. We provide a unique, personalized experience based on our deep understanding of our consumers. Consumers choose our Marketplace because they trust we will deliver a consistent, high-quality experience from start to finish, while being able to access over 3,200 different brands as of December 31, 2018. The luxury merchandise on our Marketplace is curated in three phases: (1) our rigorous selection of luxury sellers; (2) the expert buying decisions of our retailers, including the individual perspective and combined buying expertise of over 630 boutiques and (3) our optimization of our product mix using data insights and knowledge of the luxury market. We believe that people who love fashion, love Farfetch.

We are redefining commerce for luxury sellers. With access to a global consumer base, combined with an integrated marketing approach, we drive demand for our luxury sellers. Luxury sellers gain deep data insights and
real-time feedback that are valuable in their decision making. They choose our platform because we help them grow their businesses with an enhanced online presence, powerful tools and superior economics, all while retaining control, which is critical to them. By providing a digital storefront, inventory management, a global logistics solution and other tools to help manage their businesses, we are embedding ourselves as both a commerce enabler and an innovation partner. Access to over 2.8 million Marketplace consumers, of which over 1.4 million were Active Consumers as of December 31, 2018, through the Farfetch Marketplace allows luxury sellers to instantly significantly increase their consumer reach, and our platform allows us to be their trusted innovation partner for the future.

We generate income from transactions conducted on our platform, which, together with In-Store Revenue, represents our GMV. We primarily operate a revenue-share model where we retain commissions and related income from these transactions. Our business has grown significantly, as evidenced by the following:

- As of December 31, 2018, we had 1,353,400 Active Consumers, up 44.6% since December 31, 2017. As of December 31, 2017, we had 935,772 Active Consumers, up 43.6% since December 31, 2016.
- Our GMV was $1,407.7 million in 2018, up 54.7% over 2017, and was $909.8 million in 2017, up 55.3% from 2016.
- Our revenue was $602.4 million in 2018, up 56.1% over 2017, and was $386.0 million in 2017, up 59.4% from 2016.
- Our Platform Services Revenue was $489.0 million in 2018, up 65.0% over 2017, and was $296.4 million in 2017, up 63.8% from 2016.

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Our Platform

We operate a modular end-to-end technology platform purpose built to connect the luxury fashion ecosystem worldwide. Our vision was to create a single operating system that could address the complex demands of consumers and luxury sellers alike. Our platform is designed to deliver the future of luxury retail by addressing the unique challenges faced by each participant in the ecosystem and to offer a transformative luxury experience across both offline and online channels. Our platform is built on an API-enabled proprietary technology stack, which provides the foundation for the three main components: applications, services and data, as illustrated below.

Applications

Farfetch Marketplace. The Farfetch Marketplace is the first and largest application built on our platform and is currently the source of over 90% of our revenue. Our Marketplace connects the two sides of the luxury fashion market: consumers from 190 countries and luxury sellers from 53 countries.

Farfetch Black & White Solutions. Our modular, white-label e-commerce offering provides retailers and brands with platform services ranging from individual off-the-shelf elements to a full-service branded e-commerce solution. Farfetch Black & White Solutions powers the online shopping experiences of global brands such as JW Anderson, Christopher Kane, Proenza Schouler and Thom Browne.

Farfetch Store of the Future. We believe the future of luxury fashion retail will be defined by the reinvention of the consumer experience by connecting the online and offline retail worlds. We have developed, and continue to evolve, a suite of connected in-store technologies to provide a digitally enabled, personalized physical shopping experience.

Seller Tools. We have created powerful operational tools that help drive efficiencies for our luxury sellers. These include STORM, an integrated operating tool that enables end-to-end management of the online selling experience for our luxury sellers, and FFLINK, an integration platform built to provide a seamless connected retail solution for our luxury sellers.
Services

We have invested in and developed an integrated service approach that enables us to offer a consistent luxury environment for all of our platform partners. We achieve this through free and fast content creation to achieve a luxury product presentation, demand generation through our marketing services, secure multi-currency payment processing and smart supply chain management. We provide consumers with a localized luxury experience, including after-care in the form of multilingual customer service and free returns processing.

Data

Through our multiple interactions with our luxury sellers and consumers, we develop rich data sets and proprietary algorithms that drive operational efficiencies to create value for all participants on our platform. Our data science capabilities automate decision making through the application of machine learning to guide merchandizing, targeting, curation and feedback. As of December 31, 2018, we had 866 engineers and data scientists developing and enhancing the data interactions on our platform. These insights allow us to deliver an enhanced consumer experience and create operational efficiencies for our platform partners.

Our Strengths

We believe that the following strengths contribute to our success and are differentiating factors:

- **Visionary, founder-led management team.** We are led by our founder, José Neves, who has a unique combination of knowledge of and passion for the fashion industry and a deep understanding of technology. Our management team’s clear sense of mission, long-term focus, commitment to our core cultural values and focus on transforming the luxury industry through technology are central to our success. Members of our team have created and grown leading luxury, fashion and technology businesses globally, and they retain a strong entrepreneurial spirit.

- **Scalable proprietary technology.** We have built a scalable proprietary technology platform, which enables us to grow the reach of our Marketplace efficiently, while supporting the creation and development of new applications. This benefits both the sophistication of the applications we develop, as well as the speed with which we are able to deploy them.

- **Unique data capabilities.** Our business model allows us to collate large volumes of unique data from touch points throughout the luxury fashion ecosystem. We believe this gives us unparalleled, multi-dimensional insight into the entire luxury ecosystem. Our team of data scientists and specialist engineers utilize the data to feed our proprietary algorithms to enhance our platform and benefit all platform participants.

- **Established partner relationships.** We are the partner of choice for the world’s leading brands, boutiques and department stores. These relationships cannot easily be replicated and represent a high barrier to entry. As of December 31, 2018, we partnered with 640 of the world’s leading luxury retailers and 382 brands. These relationships enable us to give our consumers access to unique and scarce inventory, in addition to the widest selection and variety. Our platform relationships extend beyond our Marketplace and include, for example, our multi-year global innovation partnership with CHANEL.

- **The world’s largest selection of luxury.** We operate the only luxury digital marketplace at scale. We offer ten times more stock keeping units than the closest competitor to our Marketplace. We achieve this by aggregating supply from a large number of globally distributed sources, offering consumers both breadth and depth of luxury merchandise.

- **Fully integrated supply chain operations.** We offer comprehensive supply chain capabilities to our platform partners, from content creation to our global fulfillment network, which integrate delivery partners from around the world in a single, efficient interface. Luxury fashion inventory is located across a highly fragmented network of luxury sellers. Our fulfillment network is based on a distributed inventory model, aggregating inventory from multiple stock points of our luxury sellers in real time, giving us the capability to get shipments to consumers quickly and efficiently, due to the proximity of
the inventory to the consumer. We have invested significant resources in building and developing this network, and this has created a significant competitive advantage and economies of scale.

• **Our marketplace business model.** Our model allows us to offer the broadest and deepest selection of luxury fashion available online globally, while incurring minimal inventory risk and without capital-intensive retail operations. This allows for low capital expenditures, favorable working capital dynamics, minimal inventory holding and an ability to drive stronger future margins than traditional inventory-taking business models. For the year ended December 31, 2018, our Average Order Value was $618.6, and we had a 32.0% Third-Party Take Rate.

• **Powerful network effects.** Interactions among our consumers and luxury sellers on our Marketplace generate strong network effects. More brands, boutiques and department stores on our Marketplace increases the choices available to consumers, and more consumers on our Marketplace increases the potential sales for our luxury sellers through a self-reinforcing, mutually beneficial network effect.

• **Culture of innovation.** Innovation is intrinsic to Farfetch. For a decade, we have redefined how the luxury industry engages with consumers and technology. We believe that technology will continue to enable a better luxury ecosystem, and we will continue to pioneer innovation, for example by executing our vision for Augmented Retail, including Farfetch Store of the Future. In addition, our open architecture allows other innovators to build on our platform. As a result of our investment and reputation, we expect that third parties will continue to seek out Farfetch as their innovation partner, providing us with further opportunity to extend our platform.

**Our Growth Strategies**

The key elements of our growth strategies include:

• **Improving consumer economics and growing our consumer base**

  *Increasing the lifetime value of existing consumers.* We have cultivated our consumer base and have strong consumer loyalty. We are committed to ensuring that through our curated supply, as well as our comprehensive approach to data and analytics, we are able to offer our existing consumers more of the merchandise that they want. We will continue to refine our approach to data analytics, allowing us to further optimize and improve our marketing approach and consumer experience, so that existing consumers visit the Farfetch Marketplace more often, convert more efficiently and have higher Average Order Values.

  *Attracting new consumers.* We are focused on growing our consumer base in all markets, with a particular emphasis on emerging markets including China, the Middle East, Latin America and Eastern Europe. Our expansion strategy includes offering consumers global access to luxury products that are tailored to local market trends and tastes, along with localized interfaces. For example, the rapidly growing luxury industry in China represents a major opportunity for us, and we have invested locally to support growth. As of December 31, 2018, we had 209 Farfetchers in Shanghai and Hong Kong, and our platform was able to deliver local language and payment systems. We are currently one of a small number of global technology platforms to have full access to the Chinese market, which is predicted to represent 46% of personal luxury goods sales in 2025, according to Bain. As another example, we have a strategic partnership with the Chalhoub Group in the Middle East to further our expansion in that region.

• **Increasing product supply and our luxury seller base**

  *Increasing supply from existing luxury sellers.* We can further increase the depth of our supply from our existing luxury seller base. We believe sellers will sell more of their inventory on our platform if we continue to offer a compelling value proposition, such as data-led insights, access to relevant demand and technological innovation, and we aim to continue developing these offerings.

  *Adding brands, boutiques, department stores and other partners.* We plan to further increase the number of luxury sellers in order to expand the assortment and availability of merchandise on our Marketplace. In addition to adding brands and boutiques, we plan to continue to add department stores and new types of retailers to participate on our Marketplace.
Expanding into new categories and offerings. We aim to enhance our product offering for consumers and create additional opportunities for sellers on our platform by expanding into other luxury categories and offerings, such as the expansion of our offering to include watches and fine jewelry in 2018 and our investment in the streetwear category via our acquisition of Stadium Goods in January 2019. Streetwear has been one of the fastest growing categories on our Marketplace and Stadium Goods, a player in the $70 billion premium sportswear market, is largely incremental to our business. Our ability to expand into adjacent categories within the personal luxury goods market will enable us to increase our penetration of a large and robust total addressable market.

- **Investing in new technologies and innovation.** We will continue to invest in people, product and infrastructure to drive technological innovation in the luxury industry. This includes continuing to enhance our Marketplace for all participants through the application of data science and machine-learning technologies to facilitate further personalization and inspiring moments for consumers. We will also continue to grow Farfetch Black & White Solutions and further develop and monetize Farfetch Store of the Future. We aim to continue to be the innovation partner of choice for the luxury industry, developing new ways for the fashion ecosystem to evolve. We will supplement the growth of our internal service offerings with external third-party providers that can build on our platform to offer complementary services to our consumers and luxury sellers.

- **Building the Farfetch brand.** While we have established a significant position in the fashion industry, we have an opportunity to increase market share by growing our brand awareness. We believe that with continued investment in brand marketing, data-led insights and effective consumer targeting, we can expand and strengthen our reach.

**Our Products**

We aspire to build technology products that meet the varied and evolving needs and wants of luxury consumers, retailers and brands.

*The Farfetch Marketplace—Farfetch.com and our iOS and Android apps*

We have a global consumer base that expects a seamless user experience. Consumers are able to engage with us across our website and mobile apps for both iOS and Android devices, including on our iOS app developed specifically for our consumers in China. Our Marketplace is supported by 21 localized sites in 14 local languages, offering features such as a user-friendly homepage, browse function, product detail, wishlist and consumer account management.

We have a multi-disciplinary search team including data scientists and machine-learning engineers who work to better understand intent, leveraging these insights to identify the type of merchandise that is most meaningful to our consumers, and consequently strengthening our proprietary metadata. The browsing function is underpinned by a real-time stock management system, filling search results with higher volume stock to ensure availability. In addition, we are developing visual merchandising tools to train the algorithms used by our merchandising team, so our system becomes more intelligent and our processes become more scalable, trending toward an increasingly personalized experience.

Our consumers are driven by a desire to discover new products and trends. We have a “New In” section of our site, that provide consumers with access to products that just went live on our Marketplace. Our recommendation engine applies strategies ranging from look-alike algorithms on out of stock pages to collaborative filtering options to surface what similar consumers are viewing throughout our catalog.

The objective of our app is to enable our global consumers to shop effortlessly using their mobile devices, wherever, whenever. Our app, available in 14 languages on iOS and Android, enables consumers to search by designer, category or keyword, shop via daily new arrivals or discover products through highly personalized and dynamic recommendations. We regularly improve our app user experience, adding features such as: personalization; “Shop the Look;” new payment methods, including Apple Pay and WeChat Pay; touch ID and Facebook Connect for easy login; order tracking; geo-targeted shipping services; enhanced search with suggestions and personalized...
search recommendations; in-app messaging capabilities and push notifications. In addition, the Farfetch Private Client app offers certain consumers bespoke functionality and exclusive access to fashion products and services. We believe that the increase in popularity of our app demonstrates the changing dynamics of consumers’ shopping behavior. For the year ended December 31, 2018, our app accounted for 23% of total visits to our Marketplace.

Farfetch Platform Solutions

In February 2019, we announced that we were uniting our portfolio of business-to-business platform products and services, under the banner Farfetch Platform Solutions. Farfetch Platform Solutions will incorporate Black & White Solutions, Farfetch Store of the Future and CuriosityChina, to simplify our enterprise offering to the luxury industry.

Farfetch Platform Solutions’ mission is to offer luxury brands and retailers a suite of products and services leveraging the Farfetch platform ecosystem to build their own branded digital businesses.

Farfetch Black & White Solutions

Farfetch Black & White Solutions is our package of white-label solutions for luxury fashion brands and retailers. We deliver a global, multi-channel e-commerce offering that enables retailers and brands to seamlessly transact online with their consumers, while also allowing them to focus on the creative aspects of their businesses. These solutions are built on our platform, providing the same capabilities and scale as our Marketplace, and benefitting from the improvements to and the innovation of our platform. We enable the specific business goals of our partners by creating a modular package of solutions from which they can choose from specific bundles of products and services or a full end-to-end e-commerce experience.

By building on our fully API-enabled platform, Farfetch Black & White Solutions allows for a flexible front-end suite of products, comprised of global websites and apps. Our back-end infrastructure allows retailers and brands to synchronize their websites with in-store and warehouse inventory, both from mono-brand stores and other suppliers in their distribution network, and facilitate in-store pick-up and consumer returns. Farfetch Black & White Solutions seamlessly facilitates payments and enables cross-border and international shipping to customers. Our modular approach provides retailers and brands the optionality of a more flexible solution depending on their e-commerce goals. A retailer or brand could select all of our front-end suite of products or a combination of our integrated solutions, all powered by our back-end infrastructure. In addition, we offer services, which include, among others, digital marketing, consulting, localization, production and warehousing. All of these are modular services that can complement the front-end suite of products or can stand alone. Monetization of individual products and services is negotiated and may include any combination of build fees, revenue share, agency fees or consultancy fees.

In February 2019, we announced a strategic partnership with Harrods to provide global e-commerce platform. The partnership will see Harrods use and benefit from all of the core components of Farfetch Black & White Solutions, including e-commerce management, operations support, international logistics support, and technical support.

Augmented Retail and Farfetch Store of the Future

We believe the future of luxury fashion retail will be defined by the reinvention of the consumer experience, through online and offline integrations. We call this vision Augmented Retail, taking the magic of the physical store experience and bringing it together with the advantages of the online and digital experience, underpinned by the use of data.

Our Augmented Retail vision begins with the consumer in mind. Consumers enjoy the experience of being in store, building a relationship with the sales associate and experiencing merchandise in the luxury store setting, yet technology has meant that consumers now expect ultra-personalized experiences, both in their real and digital lives, and expect those worlds to be seamlessly connected. Our Augmented Retail vision reflects the retail experience of the future by giving retailers visibility of their consumers’ preferences, both in store and online, enabling them to
In April 2017, we unveiled our Augmented Retail vision and launched Farfetch Store of the Future, a technology-powered retail operating system. This suite of technologies aims to improve retail productivity by capturing consumer data and enhancing interactions between consumers and sales associates, both in store and when the consumer interacts with the retailer or brand online. The open innovation approach to our operating system means that retailers and brands can also use third-party technologies on our platform. This allows for a uniquely tailored offering to each brand or retailer in keeping with their in-store and online strategy. Our Farfetch Store of the Future technology launched in Thom Browne’s London and New York stores in February and March 2018, respectively, and in Browns East in May 2018. In February 2018, we announced a multi-year global innovation partnership with CHANEL, through which we will work together to develop a range of digital initiatives to deliver a superior consumer experience both online and offline.

Management Tools for Luxury Sellers

We provide tools and solutions that enable our luxury sellers to maximize their businesses on our Marketplace and provide real-time visibility of inventory. These tools include:

- **STORM.** STORM provides luxury sellers with a number of capabilities designed to drive their success on our Marketplace, including data management, inventory management, analytics and key performance indicators, order management and fulfilment, consumer profiles and omnichannel fulfilment.

- **FFLINK.** FFLINK is the API layer that allows our partners to integrate our platform with their own systems or other third-party e-commerce solutions, such as Magento, Shopify, Cegid, Teamwork Retail, Lightspeed and Retail Pro.

Our Technology

Technology is at the core of our strategy, powering our operational capabilities and the sustainable scalability of our platform. We believe that continuous investment in our technology has given us a competitive advantage and enabled fast innovation.

While building, maintaining and optimizing our platform, we apply the following key principles:

- **API-first design.** All the complexity of our business logic is accessible via a variety of APIs. When addressing a new functionality, we consider the questions and actions our platform should address and the most intuitive API design. Only after this assessment do we execute implementation details. This approach focuses our team on delivering the most sustainable solution with the best business outcome.

- **Multi-tenancy.** Our platform is built for multi-tenancy and multi-client use. This allows the same infrastructure and services architecture to support both our Marketplace and other applications, such as Farfetch Black & White Solutions and Farfetch Store of the Future. The architecture design provides security, data isolation and support for individual tenant configurations.

- **Modularity.** Our platform’s internal services have a modular design, allowing us to evolve individual system boundaries independently or replace components via integration with external modules.

- **Flexibility.** The ability to integrate with other platforms is key to our design. Our platform has the flexibility to either be part of other systems or allow other systems to be part of ours.

Our platform architecture enables the following:

- **Cross-device experiences.** By making features available through our platform API rather than on a specific device, we enable the possibility of sharing experiences across multiple devices, allowing, for example, consumers to start browsing and adding items to their “Shopping Bag” on a laptop and complete checkout on a mobile device. Maintenance of features is also done on the platform level, which maximizes efficiency.
Technology and team organization. The control of our systems design and architecture supports increased agility in our teams’ growth and organization. We rationally scale our organization and technology, clustering teams around business areas with their specific domain languages and building small nimble teams within each area as new services are created, in order to break down the complexity. This model has enabled us to keep start-up like structures that can quickly adapt and react to new challenges.

Innovation velocity. By having our business logic available via a centralized API-enabled platform, we can quickly make new platform innovations available to all applications and explore new scenarios at the consumer experience level, leveraging past learnings and experience embedded into our platform.

Provider agnostic. We designed our platform to be independent of any specific infrastructure provider, allowing us to scale across multiple cloud providers or self-managed data centers. We can also run scenarios under containerization, which allows us to run applications within a contained environment or in one operating system but in isolation from one another, or non-containerization, where each application can run within its own or multiple containers and each application runs simultaneously on the same computer. Making such options available as part of our design allows us to manage infrastructure costs.

Point of delivery. Our systems and infrastructure are designed to operate across multiple geo-distributed points of delivery. They are built using technologies that provide horizontal scalability, high-availability and data management.

Open Source Technologies

We use open source technologies and continuously assess existing and proven open source frameworks that can be used to accelerate our deliveries and focus on the added value to the business. We license technology, content and other intellectual property from technology providers and partners when a commercial license and support are available, which can provide added value and operating efficiencies to our business and integrate through our API enabled platform.

Open Innovation Framework

We have developed a robust framework around innovation as a way to prioritize our efforts and focus on potential opportunities that are consistent with our mission:

- **Our innovation.** Our teams innovate on a daily basis, and we provide an environment that inspires and encourages ideas from all Farfetchers to ensure the best are elevated and come to fruition.

- **Corporate development.** We routinely evaluate acquisitions and collaboration opportunities that will expand our business and further our strategic objectives and mission.

- **Platform engagement.** We enable external businesses to build on our platform in order to offer complementary products and services to our consumers and platform partners. These businesses engage with us via our API and make use of the modular services we offer to grow their own businesses.

- **Dream Assembly.** This is our accelerator program that provides commerce technology startups with access to our mentorship, networking and support. It is designed to accelerate the growth of these startups and enhance the luxury ecosystem.

Browns

Browns is an iconic British fashion and luxury goods retailer with a heritage of introducing new fashion labels and pioneering luxury fashion since the 1970s. As an example of its ability to identify new fashion talent, Browns purchased the entire design school graduation collection of then unknown designer John Galliano, championed other young designers such as Hussein Chalayan and Alexander McQueen from the outset of their careers and, more recently, was the first to stock Christopher Kane.
Browns operates two retail stores in London and also leverages our platform applications. Ownership of Browns enables us to understand the fashion ecosystem through the lens of a boutique. In addition to enhancing our credibility in fashion, Browns also serves the critical mission of pioneering innovations developed under our Augmented Retail strategy, including providing a luxury fashion boutique environment to test Farfetch Store of the Future technology.

Our Global End-to-End Operations

We provide consumers with a localized luxury experience. Our core operations areas are smart supply chain management and luxury customer care.

Smart Supply Chain Management

Content Creation. The first step in our supply chain operations is content creation. In-house content creation allows us to achieve a luxury product presentation with a consistent look and feel, with short lead times and low cost. Our content creation process includes styling, photographing, photo-editing and content management. Our studios are the heart of the process, where teams of professional stylists, models and photographers create product images. We also develop original content, including tailored merchandise descriptions, convenient size and fit information and detailed measurements information to provide the best consumer experience, maximize sales and minimize returns.

We operate four strategically located production centers in Guimarães (Portugal), Los Angeles, São Paulo and Hong Kong, processing over 578,000 products and producing approximately 3.1 million unique luxury images during 2018. As of the third quarter 2018, our largest production center can process over 5,000 items per day at peak times.

Fulfilment. We have invested significant resources in developing our fully integrated logistics network. We have developed smart supply chain algorithms that are built around deep information sharing and aligned through shared incentives, which make our supply chain scalable, capital efficient and highly agile.

Fulfilment is executed by our luxury sellers and includes picking and packing the merchandise in Farfetch-branded packaging and booking the pick-up for onward delivery to the consumer. We prioritize effective fulfilment to 190 countries, building a robust process enabled by technology and strong collaboration among our internal teams, our luxury sellers and our distribution delivery carriers.

Once an order is packed, the merchandise is distributed to our consumers. We have the global expertise to handle the complexity of a vast network of routes and we have extensive knowledge of how to manage and optimize the complexities and intricacies of each country combination, including duties and bureaucracies.

We offer a number of delivery options including: standard and premium delivery; click and collect, which allows consumers to receive their shipment at their choice of local boutique or pick-up point; same-day delivery from selected luxury sellers in 18 of our largest cities globally; and F90 store to door delivery in 90 minutes from a number of luxury sellers in Berlin, Dubai, Hong Kong, London, Los Angeles, Madrid, Miami, Milan, New York, Paris, São Paulo and Tokyo. We also offer a free returns service on all our orders from a place and at a time selected by our consumer.

Sales and Marketing

Our integrated marketing framework represents a core competency that we regard as essential to the success of our Marketplace model. We are focused on continuing to build brand recognition and a demand generation engine that connects our consumers with the world’s best luxury sellers. Through driving high consumer demand, we create a better proposition for our luxury sellers.

Over the last three years, we have invested heavily in building a talented in-house marketing team, while also developing proprietary technologies that enable us to build data-driven and highly-personalized campaigns that can scale globally.
How We Drive Demand

Data-Driven Approach

We collect and utilize a broad range of data from multiple touch points in the luxury fashion ecosystem. This allows us to identify audience segments that are highly engaged in the luxury fashion category, which enables us to focus both brand and performance marketing campaigns on those we believe have a high propensity to purchase. Marketing costs are allocated across our global digital media portfolio using advanced internal bidding algorithms, which are tuned to optimize return on investment.

We employ a scientific approach to marketing. We use our data insights to continuously optimize and improve our marketing and product experiences to be responsive to our consumers’ needs and provide them with a great consumer experience. Our relentless focus on data-driven testing enables us to innovate and optimize at a fast pace.

We have an audience-focused, rather than channel-focused, approach to both brand and performance marketing, which we manage as one integrated program. We use our rich audience insights to identify prospective consumers who we believe have an interest in, and a propensity to buy, luxury fashion. We have built our own marketing technology platform to deploy integrated campaigns that span the entire communications funnel, from awareness to consideration to purchase and retention. We leverage the audience targeting capabilities provided by our online media partners and other non-online sources, and we carefully monitor campaign reach based on propensity to buy and overall engagement with the category. The efficiencies gained from effective audience targeting allow us to build high frequency campaigns that drive awareness of our brand proposition.

We use sophisticated media mix measurement and modelling techniques to evaluate marketing performance, and we match our investment in audience and media to the predicted lifetime value that we believe each segment will generate, optimizing on a market-by-market basis.

Global Scale

Our marketing team is comprised of a broad range of capabilities and disciplines and is responsible for the development of all global performance and brand marketing campaigns. From a demand generation perspective, we manage active marketing campaigns across 190 countries and utilize a hub and spoke operating model that enables us to scale and rapidly deploy new campaigns across all markets, while also localizing messaging and creative assets.

Our global approach enables us to make faster decisions as we can run more tests at scale and determine outcomes faster. In addition, our local teams in Brazil, China, Japan, Russia, the United Arab Emirates and the United States are responsible for working with local media channels and partners and localizing global creative concepts while also running local initiatives that bring our brand personality to life.

Consumer Acquisition

We principally acquire consumers through online channels, including paid and organic search, metasearch, affiliate partnerships, display advertising and social channels. We have channel experts who work with dedicated analysts, data scientists and engineers. We have invested significant resources to establish systems that optimize paid search, and our team is highly skilled at developing programs and algorithms to maximize our return on paid search.

Retention and Loyalty

We focus on building continuous dialogue with our consumers given their levels of engagement with luxury shopping. We do this by creating inspiring content and developing personalized and tailored product recommendations, which we distribute via email, push notifications, social media, display advertising and directly on our platform. We launched ACCESS, Farfetch’s new loyalty program, for a limited global test group and for customers in the UK in the third and fourth quarter of 2018, respectively. ACCESS provides customers with
benefits and rewards based on their annual spend on our Marketplace. We plan to roll the program out in additional countries in the first half of 2019.

**Farfetch Private Client**

Farfetch Private Client caters to some of our most important and highest spending consumers. Our Private Client proposition is to make our Marketplace the only place these valuable consumers need to go for all of their luxury fashion needs.

We offer high-end services such as a dedicated personal shopper, priority customer service line and Fashion Concierge services. Fashion Concierge allows Farfetch Private Client consumers to access exclusive merchandise and to source products from non-Farfetch sellers via their stylists. We also provide Farfetch Private Client consumers exclusive benefits, such as pre-order options, access to special items, early access to coveted items and sales, a Farfetch Private Client app and free shipping on all items.

**Security and Data Protection**

We are committed to the security of our consumers’ experience with Farfetch. We undertake administrative and technical measures to protect our systems and the consumer data those systems process and store. We have developed policies and procedures designed to manage data security risks. We employ technical security defenses, we monitor servers and systems, and we use technical measures such as data encryption. We also use third parties to assist in our security practices and prevent and detect fraud.

**Competition**

We operate in a competitive industry, and consumers have the option to purchase both online and offline. While we believe that we do not have any direct competition with our Marketplace, we have indirect competitors in two primary categories:

**Technology enablement companies:**
- Technology companies that may attract sellers by enabling commerce, such as Shopify or Square; and
- White-label service providers, which offer end-to-end solutions.

**Luxury sellers:**
- Online luxury retailers that buy and hold inventory and typically ship from a small number of centralized warehouses;
- Multichannel players, which are independent retailers that developed their online channel following the success of their physical retail operations;
- Niche multi-brand and streetwear sites;
- Luxury department stores; and
- Luxury brand stores.

**Our Strategy in China and Relationship with JD.com**

The rapidly growing luxury industry in China represents a major opportunity for us, and we have invested locally to support growth. As of December 31, 2018, we had 209 Farfetchers in Shanghai and Hong Kong, and our platform was able to deliver local language and payment systems. To further expand our presence in the luxury industry in China, in July 2018 we entered into an agreement for the acquisition of CuriosityChina, a domestic technology company with particular expertise in social customer relationship management and digital marketing for luxury fashion brands.

On June 21, 2017, we entered into a strategic partnership with JD.com. As part of this relationship, Farfetch leverages JD.com’s local logistics network, consumer payment solutions, technology capabilities, and its marketing
resources, including its WeChat partnership. We believe that this relationship will give us valuable insight into the Chinese market, while reinforcing our position as a global market leader in this region.

In February 2019, we expanded our strategic partnership with JD.com in order to provide the ‘Premier Luxury Gateway to China’ for luxury brands. As part of this transaction, JD.com’s luxury e-commerce platform, Toplife, will merge into Farfetch China. In addition, Farfetch will gain a ‘Level 1’ entry point on the JD.com app, providing JD.com’s customers with access to Farfetch’s network of more than 1,000 luxury brand and boutique partners.

Our Intellectual Property

Our intellectual property, including copyrights and trademarks, is an important component of our business. We have registered trademarks in various international jurisdictions for “FARFETCH” and “BROWNS,” among other brands. Our intellectual property portfolio includes numerous domain names for websites that we use in our business. We have several published and unpublished patent applications in the United Kingdom, Europe and internationally, which, if issued, would cover aspects of our proprietary technology, and the software code underlying our proprietary technology is also likely protected by copyright.

We control access to, use and distribution of our intellectual property through license agreements, confidentiality procedures, non-disclosure agreements with third parties and our employment and contractor agreements. We rely on contractual provisions with suppliers and luxury sellers to protect our proprietary technology, brands and creative assets. We use a third-party enforcement tool to monitor online image copyright infringement across domains, social media and mobile applications for “BROWNS” and “FARFETCH.” We also use a trademark watch service for the “FARFETCH” and “BROWNS” marks, which notifies us of potentially conflicting trademark applications, and we have registered “FARFETCH” and “BROWNSFASHIONSTORE” with a global domain name watch service and various domain name protected lists to alert us to third party domain name registrations that could potentially be infringing or cybersquatting.

Government Regulation

We use consumer data to perform the services available on our platform and conduct marketing activities, which may involve sharing consumer information with a third party, such as advertisers. Our activities involving the use of consumer data are subject to consumer protection, data protection and unfair and deceptive practices laws in jurisdictions in which we operate. In addition, as we accept credit cards transactions, we must comply with the Payment Card Industry Data Security Standards. The United States and European Union as well as other countries in which we operate are increasingly regulating certain activities on the internet and e-commerce, including the use of information retrieved from or transmitted over the internet, are increasingly focused on ensuring user privacy and information security, which will potentially limit behavioral targeting and online advertising, and are imposing new or additional rules regarding the taxation of internet products and services, the quality of products and services as well as the liability for third-party activities. Moreover, the applicability to the internet of existing laws governing issues such as intellectual property ownership and infringement is uncertain and evolving.

In particular, we are subject to an evolving set of data privacy laws in the United States, European Union Brazil and other jurisdictions. As of May 25, 2018, the new EU data protection regime became applicable and provides for a number of changes to the previous regime, including more onerous requirements on companies that process personal data, including, for example, expanded disclosures to tell our consumers how personal information is to be used, increased rights for consumers to access, control the use of and delete their data and object to marketing and profiling. Certain breaches of the new regime may impose fines up to the greater of €20 million or 4% of the global turnover on a group basis. In addition, specific EU legislation regulating privacy online, including the use of cookies and similar technologies and online targeted advertising, is also under reform. In the United States, in June 2018, California enacted the CCPA, which is presently going into effect on January 1, 2020. Unless amended or pre-empted by federal law, when effective, the new law will, among other things, require new disclosures to California consumers, afford consumers new abilities to opt out of certain disclosures of personal information and new rights of data access and deletions, and impose significant fines and penalties for violations of privacy or data security provisions.
Many governmental authorities in the markets in which we operate are also considering alternative legislative and regulatory proposals that would increase regulation on internet advertising. It is impossible to predict whether new taxes or regulations will be imposed on our business and whether or how we might be affected.

In many jurisdictions in which we operate, operational licenses are required. In certain jurisdictions, including China, these licenses must be reviewed annually.

C. Organizational structure

Please refer to note 20 to our audited consolidated financial statements for the years ended December 31, 2018, 2017 and 2016 included elsewhere in this Annual Report for a listing of the company’s significant subsidiaries, including name, country of incorporation, and proportion of ownership interest.

D. Property, Plant and Equipment

Our Facilities

As of December 31, 2018, we had offices in Braga, Dubai, Hong Kong, Lisbon, London, Los Angeles, Moscow, New Delhi, New York, Porto, São Paulo, Shanghai and Tokyo, and production centers in Guimarães, Los Angeles, São Paulo and Hong Kong. In addition, Browns leases retail properties in London.

Our London office is our corporate headquarters, housing our central support functions, and is leased for a term of 12 years expiring in December 2027. It covers an aggregate of approximately 36,000 square feet, divided over three floors. In addition, we recently leased approximately 30,000 square feet of office space in London, adjacent to our London headquarters, pursuant to a lease that expires in 2027.

Item 4A. Unresolved Staff Comments

None.
Item 5. Operating and Financial Review and Prospects

You should read the following discussion in conjunction with the section entitled “Selected Consolidated Financial and Operating Data,” our historical consolidated financial statements and the related notes included elsewhere in this Annual Report. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in Item 3. “Key Information—Selected Financial Data.” Actual results could differ materially from those contained in any forward-looking statements.

On May 15, 2018, Farfetch Limited was incorporated under the laws of the Cayman Islands to become the holding company of Farfetch.com Limited and its subsidiaries pursuant to the Reorganization Transactions. Farfetch Limited has engaged solely in operations and activities incidental to its formation, the Reorganization Transactions and the initial public offering of our Class A ordinary shares. Accordingly, financial information for Farfetch Limited and a discussion and analysis of its results of operations and financial condition for the period of its operations prior to the Reorganization Transactions would not be meaningful and are not presented. Following the Reorganization Transactions, the historical consolidated financial statements of Farfetch Limited will include the historical consolidated financial results of Farfetch Limited and its consolidated subsidiaries for all periods presented. When we refer to the “Consolidated Group” or “Group,” we are referring to Farfetch Limited and its consolidated subsidiaries.

Our Business Model

We generate income from transactions between sellers and consumers conducted on our platform. Transactions generate GMV, which we collect and remit to sellers after deducting our income, which is based on a revenue-share model. This represents the majority of our income.

Our revenue is the combination of three streams:

- **Platform Services Revenue**, which primarily includes commissions based on Third-Party Take Rate. To a lesser extent, we generate revenue from the sale of inventory on the platform that is directly purchased by our Browns boutiques and sold online where revenue is equal to the GMV of such sales.

- **Platform Fulfilment Revenue**, which comes from shipping and customs clearing services that we provide to our consumers in relation to fulfilling transactions on our platform, net of consumer promotional incentives, such as free shipping and promotional codes, against this revenue.

- **In-Store Revenue**, which is the revenue generated in Browns retail stores.

We focus on Platform Services Revenue, as we think this best represents the economic value being generated by the platform.

For the year ended December 31, 2018, our revenue was $602.4 million, being:

- $489.0 million of Platform Services Revenue;
- $97.8 million of Platform Fulfilment Revenue; and
- $15.6 million of In-Store Revenue.

Platform Gross Profit represents Platform Services Revenue and Platform Fulfilment Revenue less our cost of revenue, which is transaction processing fees, customs duties, shipping costs, packaging and other direct order related costs. Platform Gross Profit as a percentage of Platform Services Revenue reflects the value of platform transactions before demand generation expense.

For the year ended December 31, 2018, Platform GMV was $1,392.1 million, including $97.8 million of Platform Fulfilment Revenue.
Platform GMV is generated by the Farfetch Marketplace, which contributed over 90% of Platform GMV for the year ended December 31, 2018. Platform GMV is also generated by Farfetch Black & White Solutions, our modular white-label e-commerce solution that provides brands and retailers with services ranging from a full-service branded e-commerce solution to individual off-the-shelf components.

Browns is an iconic British fashion and luxury goods boutique. Browns operates two retail stores in London and also leverages applications on our platform. Ownership of Browns enables us to understand the fashion ecosystem through the lens of a boutique. In addition to enhancing our credibility in fashion, Browns also serves the critical mission of pioneering innovations developed under our Augmented Retail strategy, including providing a luxury fashion boutique environment to test our Farfetch Store of the Future technology. For the year ended December 31, 2018, Browns generated $15.6 million of In-Store Revenue.

Over time, we plan to monetize other aspects of our platform. The first example of our Augmented Retail strategy is Farfetch Store of the Future, a suite of technologies that aims to improve retail productivity by capturing consumer data and enhancing interactions between consumers and sales associates, both in store and when the consumer interacts with the retailer or brand offline. We believe the future of luxury fashion retail will be defined by the reinvention of the consumer experience through online and offline integrations, and we are investing in innovation to achieve this vision.

Factors Affecting our Financial Condition and Results of Operations

Our financial condition and results of operations have been, and will continue to be, affected by a number of important factors, including the following:

Growth and Quality of our Luxury Supply

Our business model allows us to offer consumers the broadest and deepest selection of luxury, with a high stock value while incurring minimal inventory risk, by combining supply from a large number of globally distributed luxury sellers. Our success depends on the participation of these luxury sellers on the Farfetch Marketplace, their highly curated range of products and our ability to effectively sell these goods.

We have a rigorous framework to assess retailers and brands. Boutique selection is based on their brand assortment, category focus, market reputation and strength of buying. Brand selection is based on demand and trends, so that we offer our consumers access to the best, most current and most desirable products.

As of December 31, 2018, we had 1,022 luxury sellers on the Farfetch Marketplace, of which 640 were retailers and 382 were brands who sell directly on our Marketplace.

The selection of merchandise for sale on the Farfetch Marketplace must meet the needs of constantly evolving consumer tastes and adapt to rapidly changing fashion trends. Therefore, our success is also dependent on the ability of our luxury sellers to anticipate, identify and translate changing fashion trends and consumer demands into timely and appropriately curated product offerings. We constantly provide our partners with fashion insight that comes from our analysis of browsing, sales and returns data trends across the Farfetch Marketplace, as well as the offline sales data points that come from our real-time integrations with our luxury sellers.

The breadth and depth of inventory available through the Farfetch Marketplace is reflected in our stock value. Brands and designers typically have two primary seasonal collections per year, spring/summer and fall/winter.

We expect to continue to grow the stock value and stock units on our Marketplace from existing luxury sellers, adding luxury sellers from new geographies, large multi-brand retailers and new brands.
Growth, Engagement and Retention of Our Active Consumers

Platform GMV and revenue grow as a result of acquiring and retaining Active Consumers, increasing the Number of Orders.

As of December 31, 2018, we had 1,353,400 Active Consumers, up from 935,772 as of December 31, 2017. The Number of Orders for the year ended December 31, 2018 was 2.9 million, up from 1.9 million for the year ended December 31, 2017.

We have been able to grow Platform GMV from both new and existing consumers since launching the Farfetch Marketplace in 2008. While we continue to acquire new consumers, the share of Platform GMV from existing consumers has also increased over time, indicating our ability to retain existing consumers.

We define new consumers as those who placed their first order on our Marketplace.

We expect growth in new consumers to be driven by further penetration of the luxury consumer market, including growing our business in emerging markets, such as China, the Middle East, Latin America and Eastern Europe.

Cost of Consumer Acquisition and Engagement

Our financial performance also depends on the expenses we incur to attract and retain consumers.

Demand generation expense consists primarily of fees that we pay our various media and affiliate partners. We will continue to invest in consumer acquisition and retention while the underlying consumer unit economics indicate the return on investment is strong. While we expect these expenses to increase as we continue to grow, we expect such expenses to decrease as a percentage of Adjusted Revenue over time as we continue to improve the efficiency of our demand generation activities and the percentage of our business related to existing consumers increases. In particular, we continue to gain efficiencies in our performance marketing spend by leveraging the large volume of product performance data that we have available to enhance our media bidding decisions across paid search, meta-search and online display. We also expanded our network of active media partners, which extended our audience reach and further diversified its overall media mix.

We also generate highly attractive consumer economics. While we are continuously focused on adding new Active Consumers to the Farfetch Marketplace, we are also focused on increasing their purchase frequency and Average Order Value after their initial purchase, while lowering retention expenditure. As a result, our existing consumers have typically generated a higher Platform Order Contribution Margin over time.
**Fulfilment**

To facilitate and grow our platform, we provide fulfilment services to Marketplace consumers and receive revenue from the provision of these services, which is by and large a pass-through cost with no economic benefit to us, and therefore we calculate our Adjusted Revenue excluding Platform Fulfilment Revenue. We offer our platform partners access to a fully integrated logistics network, which enables them to ship to consumers in 190 countries. This is an essential part of the consumer proposition and provides an unparalleled luxury experience. We have developed a comprehensive cross-border network for delivery, provided by leading third-party partners globally, which also provides Marketplace consumers with a free, simple and efficient returns process.

**Scaling our Global Platform**

We will continue to invest in our smart supply chain management and luxury customer care to provide our consumers with a differentiated global product offering but localized consumer experience. Our end-to-end operations include in-house content creation to achieve a luxury product presentation, localized interfaces, multilingual customer service, secure payment methods and seamless customs clearance and tariffs navigation. While we expect our operational expenses to increase as we continue to grow, we expect such expenses to decrease as a percentage of Adjusted Revenue over time as we continue to achieve economies of scale and deliver operating leverage.

**Investments in Technology**

We will continue to invest in people, product and infrastructure to maintain and grow our platform. Our technology expense in the twelve months ended December 31, 2018 was $68.2 million, up 115.8% from $31.6 million in the twelve months ended December 31, 2017. Our technology expense has increased as we continue to recruit additional personnel and to develop our technology expertise across the full spectrum of engineering, architecture, infrastructure, data engineering, integrations, security, agile and project management, and information systems and planning. As of December 31, 2018, we had 1,241 full-time data scientists, engineers and product employees, representing 38.4% of our total headcount. We have adjusted the pace of our increase in technology headcount, by using outsourcing to create a flexible and adaptable workforce to meet fluctuations in development needs. We expect to increase our total number of data scientists and engineers, to approximately 1,500 people by the end of 2019.

In 2019 we announced a strategic partnership with Harrods partnership. We plan to spend an additional $10m on technology to accelerate the existing plans which we believe will allow us to continue to capture and expand the reach of our platform and generate future growth driving technological innovation in the luxury industry.

These investments will generate losses in the near term and could therefore delay our ability to achieve overall profitability or reduce our profitability in the near term.
Innovation and investment

We will continue to invest in sustainable growth as a priority over short term profitability where we see opportunities to advance our strategic objectives. These opportunities have and may include acquisitions, investments in our customers, and investments to deliver Farfetch Platform Solutions including technology and other resources.

Whilst these investments may result in lower profitability through impacting our blended commission rates and incremental costs which may lower our EBTIDA margins, they allow us to both widen and leverage our platform and expand our customer base and offering.

During 2018, we continued to innovate and invest in our existing consumers launching our loyalty program ACCESS which we believe will increase consumer engagement and ‘spend per consumer’. This is a key investment in our loyal consumers which we expect to impact our Contribution Margin, but we believe will deliver significant returns in the medium-term by differentiating Farfetch as the preferred destination for luxury fashion online.

In February 2019, we announced the acquisition of Toplife, JD.com’s luxury platform. As part of this agreement, Farfetch will gain ‘Level 1’ Access on the JD.com mobile app. Level 1 Access is a prominent entry-point button on the homescreen of the JD.com app. This will provide JD.com’s 300 million customers with instant access to more than 3,000 brands via Farfetch’s network of more than 1,000 luxury brand and boutique partners.

Previously, in 2018, Farfetch strengthened its China business through its agreement to acquire CuriosityChina, a leading integrated marketing and social commerce company. With the acquisitions of CuriosityChina and Toplife, Farfetch will now offer the full suite of Farfetch’s technology and logistics platform to brands wanting to reach luxury consumers in China.

Other Factors Affecting Our Performance

Results of our operations are impacted by a number of other factors, including seasonality and foreign exchange fluctuations:

Seasonality. Our business is seasonal in nature, broadly reflecting traditional retail seasonality patterns through the calendar year. As such, GMV and revenue have been historically higher in the fourth calendar quarter of each year than in other quarters. We believe seasonality may continue to impact our quarterly results.

Foreign currency fluctuations. The global nature of our platform business means that we earn revenue and incur expenses in a number of different currencies. Movements in exchange rates therefore impact our results and cash flows. Foreign exchange exposure is created by the currency received, determined by the consumer’s location, and the currency we pay to the retailer and brand as determined by their location. This results in transactional foreign currency exposure. Our general policy is to hedge this transactional exposure using forward foreign exchange contracts. We do not hedge translation risk.
Key Operating and Financial Metrics

The key operating and financial metrics we use are set forth below. The following table sets forth our key performance indicators for the years ended December 31, 2016, 2017 and 2018.

### Consolidated Group:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GMV(1)</strong></td>
<td>$585,842</td>
<td>$909,826</td>
<td>$1,407,698</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>242,116</td>
<td>385,966</td>
<td>602,384</td>
</tr>
<tr>
<td><strong>Adjusted Revenue(1)</strong></td>
<td>193,605</td>
<td>311,784</td>
<td>504,590</td>
</tr>
<tr>
<td><strong>Technology Expense(2)</strong></td>
<td>12,269</td>
<td>31,611</td>
<td>68,224</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA(1)</strong></td>
<td>(53,380)</td>
<td>(58,079)</td>
<td>(95,960)</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA Margin(1)</strong></td>
<td>(27.6%)</td>
<td>(18.6%)</td>
<td>(19.0%)</td>
</tr>
</tbody>
</table>

### Platform:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Platform GMV(1)</strong></td>
<td>$573,174</td>
<td>$894,392</td>
<td>$1,392,104</td>
</tr>
<tr>
<td><strong>Platform Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Platform Services Revenue(1)</strong></td>
<td>180,937</td>
<td>296,350</td>
<td>488,995</td>
</tr>
<tr>
<td><strong>Platform Fulfilment Revenue(1)</strong></td>
<td>48,511</td>
<td>74,182</td>
<td>97,794</td>
</tr>
<tr>
<td><strong>Platform Gross Profit(1)</strong></td>
<td>111,762</td>
<td>196,581</td>
<td>291,706</td>
</tr>
<tr>
<td><strong>Platform Order Contribution Margin(1)</strong></td>
<td>35.0%</td>
<td>43.0%</td>
<td>39.8%</td>
</tr>
<tr>
<td><strong>Third-Party Take Rate(3)</strong></td>
<td>31.3%</td>
<td>32.9%</td>
<td>32.0%</td>
</tr>
</tbody>
</table>

### Farfetch Marketplace:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Active Consumers(3)</strong></td>
<td>651.7</td>
<td>935.8</td>
<td>1,353.4</td>
</tr>
<tr>
<td><strong>Number of Orders(3)</strong></td>
<td>1,259.7</td>
<td>1,881.0</td>
<td>2,913.0</td>
</tr>
<tr>
<td><strong>Average Order Value (actual)(3)</strong></td>
<td>$583.6</td>
<td>$620.0</td>
<td>$618.6</td>
</tr>
</tbody>
</table>

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**Components of our Results of Operations**

**Revenue.** We generate revenue through commissions on sales through the Farfetch Marketplace and on services rendered to our consumers and sellers, including those offered via our Marketplace and Farfetch Black & White Solutions. We also generate revenue through the sale of goods via Browns retail stores.

Our primary source of service revenue is from the provision of platform services. We act as an arranger through connecting sellers to consumers. We are also responsible for providing fulfillment services, which includes the provision of shipping services to the consumers and packaging materials and credit card processing to sellers. When we act as a commercial intermediary between sellers and final consumers, revenue recognized represents commission earned for operation of the Farfetch Marketplace, including fulfillment services. The services rendered also include payment and other related services provided by us. Our commission generated on sales is based on the contractual agreement we have with each seller, where we earn a percentage based on the value of sales conducted through the Farfetch Marketplace. Our commission is a blended commission because it is attributable to a mix of the different types of services that we provide. We recognize commissions and non-shipping service revenue when the goods are dispatched to the consumer by the sellers. A provision for expected returns is made against this. As we provide shipping services to the consumer, shipping revenue is recognized on delivery to the consumer. Promotional incentives may be periodically offered to consumers. When we bear the costs of promotional incentives, these costs are recognized as deductions to revenue.

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(1) See Item 3. “Key Information — A. Selected Financial Data — Non-IFRS and Other Financial and Other Operating Metrics” for a definition, explanation and, as applicable, reconciliation these measures.

(2) Technology Expense consists of technology research and of development, staffing costs and other IT costs, including software licensing. We have a policy of capitalizing development staffing costs when intangible asset recognition criteria are met, and therefore, these capitalized costs are not included in technology expense. These are subsequently amortized and included as depreciation and amortization. Other technology related costs are expensed as incurred.

(3) See “Presentation of Financial and Other Information — Key Terms and Performance Indicators Used in this Annual Report” for a definition and explanation of these terms.
Revenue from the sale of goods is net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the performance obligation is satisfied, which is when the goods are received by the consumer. Included within sales of goods is a provision for expected returns, discounts and rebates.

**Cost of Revenue.** Cost of revenue includes shipping costs, duties, credit card fees and packaging. The components of cost of revenue are variable in nature and fluctuate with changes in revenue.

**Selling, General and Administrative.** Our selling, general and administrative expenses primarily consist of demand generation, technology expense, salaries, bonuses, benefits and share based compensation for our employees, and outside consulting, legal and accounting services, as well as facilities and other overhead costs. Our demand generation expense consists primarily of fees that we pay for our various marketing channels such as search engine marketing, search engine optimization, display, digital advertising and affiliate marketing to drive consumer acquisition and retention. We expect that our selling, general and administrative expenses will increase for the foreseeable future as we grow our business.

**Depreciation and Amortization.** Depreciation and amortization includes the depreciation of property, plant and equipment, capitalized leasehold improvements and amortization of technology and other intangible assets, alongside any loss on the disposal of property, plant and equipment and any asset impairments.

**Segment Reporting**

We have determined our operating segments on the same basis that we use to evaluate performance internally. Our operating segments are: (1) Farfetch Marketplace, (2) Farfetch Black and White, (3) Farfetch Store of the Future and (4) Browns stores. Farfetch Marketplace represents over 90% of revenue; therefore, we are presenting only one reportable operating segment being the consolidated view of all operating segments noted above.

**A. Operating Results**

The following tables shows our consolidated results of operations for the years ended December 31, 2016, 2017 and 2018 and as a percentage of revenue.

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31, (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Revenue</td>
<td>$242,116</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>(125,238)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>116,878</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>(205,558)</td>
</tr>
<tr>
<td>Share of profits of associates</td>
<td>18</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(88,662)</td>
</tr>
<tr>
<td>Net finance income/(costs)</td>
<td>7,402</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(81,260)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(199)</td>
</tr>
<tr>
<td>Loss after tax</td>
<td>$81,459</td>
</tr>
</tbody>
</table>
Revenue for the year ended December 31, 2018 increased by $216.4 million, or 56.1%, compared to the year ended December 31, 2017. Adjusted Revenue for the year ended December 31, 2018 increased by $192.8 million, or 61.8%, compared to the year ended December 31, 2017. This was a function of growth in GMV of 54.7% partially offset by a decrease in Third-Party Take Rate from 32.9% to 32.0% driven by changes in mix of supply between sellers with differing take-rates. Growth in GMV was primarily driven by the Number of Orders increasing by 54.9% to approximately 2.9 million. This was driven by growth in Active Consumers from 935,772 to 1,353,400 (an increase of 44.6%) over the same period, which reflects our marketing efforts to generate continued growth in demand from existing consumers across international markets together with an increase in new consumer orders. AOV decreased by only 0.2% and has therefore had a minimal impact. We also had an increase in supply as the number of luxury sellers grew significantly during 2018. In-Store Revenue also increased from $15.4 million to $15.6 million, an increase of 1.3%. Platform Fulfilment Revenue accounted for 16.2% of revenue in 2018, down from 19.2% in 2017.

Cost of revenue, gross profit and gross profit margin

Cost of revenue for the year ended December 31, 2018 increased by $122.7 million, or (67.7%), compared to the year ended December 31, 2017, which was primarily driven by the increases in cost of goods associated with first-party sales, as well as the increase in delivery, packaging and transaction processing expenditures as a result of the increased Number of Orders.
Our gross profit margin decreased from 53.1% to 49.5% for the year ended December 31, 2017 to the year ended December 31, 2018, which was driven by an increased mix of first-party sales, which have a different gross margin profile than our third-party business; and the impact of retail pricing and inventory optimization on first-party gross margin.

**Selling, general and administrative expenses**

Selling, general and administrative expenses consisted of the following components:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>% Change</th>
<th>% of Adjusted Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand generation expense</td>
<td>$ (69,202)</td>
<td>$ (97,295)</td>
</tr>
<tr>
<td>Technology expense</td>
<td>(31,611)</td>
<td>(68,224)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>(10,980)</td>
<td>(23,537)</td>
</tr>
<tr>
<td>Share based payments</td>
<td>(21,486)</td>
<td>(53,819)</td>
</tr>
<tr>
<td>General and administrative</td>
<td>(165,981)</td>
<td>(228,891)</td>
</tr>
<tr>
<td>Total</td>
<td>$ (299,260)</td>
<td>$ (471,766)</td>
</tr>
</tbody>
</table>

**Demand generation expense**

Demand generation expense for the year ended December 31, 2018 increased by $28.1 million, or (40.6%), compared to the year ended December 31, 2017. The expenditures related to existing markets and our continued international expansion into emerging markets across all channels. Whilst we continue to invest in consumer engagement, we have gained efficiencies in our demand generation spend by leveraging data insights to be more targeted in our digital marketing approach, together with scaling marketing operations across the 200 countries in which we have consumers. We have also automated campaign management and set-up, thereby reducing the amount of time it takes to promote new products added to the platform. Demand generation expense declined as a percentage of Adjusted Revenue, from (22.2%) in 2017 to (19.3%) in 2018. Although demand generation expense as a percentage of Adjusted Revenue declined, Platform Order Contribution Margin fell over the same period, from 43.0% in 2017 to 39.8% in 2018 due to the shift in mix towards first-party Platform GMV and lower first-party Platform gross profit margins.

**Technology expense**

Technology expense for the year ended December 31, 2018 increased by $36.6 million, compared to the year ended December 31, 2017, which was primarily driven by an increase in technology staff headcount from 802 to 1,241 during 2018, as we continued to develop new technologies and enhance our platform. Total cash spend
amounted to $119.2 million during 2018, $51.0 million of which was capitalized, as compared to a total of $50.6 million during 2017, $19.0 million of which was capitalized.

Depreciation and amortization

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2017</th>
<th>2018</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$ (10,980)</td>
<td>$ (23,537)</td>
<td>$ (12,557)</td>
<td>(114.4%)</td>
</tr>
</tbody>
</table>

Depreciation and amortization expense for the year ended December 31, 2018 increased by $12.6 million, or (114.4%), compared to the year ended December 31, 2017, which was primarily driven by an increase in our amortization expenses. Amortization increased because of our continued technology investment, in which we capitalize qualifying technology development costs and amortize them over a three-year period. The increase in depreciation primarily related to the depreciation of leasehold improvements to our offices.

Share based payments

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2017</th>
<th>2018</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share based payments</td>
<td>$ (21,486)</td>
<td>$ (53,819)</td>
<td>$ (32,333)</td>
<td>(150.5%)</td>
</tr>
</tbody>
</table>

Share based payments for the year ended December 31, 2018 increased by $32.3 million, or (150.5%), compared to the year ended December 31, 2017, which was primarily driven by the increase in share price following the IPO in September 2018 and the associated impact on cash settled share options and provisions for employment related taxes. These are remeasured at each reporting date whereas the equity settled plans are measured at the grant date. The movement year on year is driven by the remeasurement of cash settled options from the share price as at December 31, 2017 to the share price as at December 31, 2018. Other contributing factors include an increase in headcount and grants made at IPO.

General and administrative expense

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2017</th>
<th>2018</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>$ (165,981)</td>
<td>$ (228,891)</td>
<td>$ (62,910)</td>
<td>(37.9%)</td>
</tr>
</tbody>
</table>

General and administrative expense for the year ended December 31, 2018 increased by $62.9 million, or (37.9%), compared to the year ended December 31, 2017, which was primarily driven by an increase in headcount, excluding technology staff which are included in the technology expense above, from 1,367 to 1,991, an increase of 45.6%. We increased non-technology headcount across a number of areas to support the growth and infrastructure of the business. In addition, we continued to expand geographically, increasing our global workforce across 12 office locations during 2018. Other increases were due to facilities and office costs and other fixed overhead costs. During 2018, we also continued to invest more in Farfetch brand building activities. General and administrative costs as a percentage of Adjusted Revenue decreased from (53.2%) to (45.4%) as we leveraged the benefits from prior year investment to support our growth.
Adjusted EBITDA

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th></th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>($58,079)</td>
<td>($95,960)</td>
<td>($37,881)</td>
<td>(65.2%)</td>
</tr>
<tr>
<td>% of Adjusted Revenue</td>
<td>(18.6%)</td>
<td>(19.0%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Adjusted EBITDA loss for the year ended December 31, 2018 increased by $37.9 million, or (65.2%), compared to the year ended December 31, 2017. This was primarily driven by increased investment in demand generation and technology expenses to support continued growth in GMV and Adjusted Revenue. There was also an increase in general and administrative expenses as we continued to scale our business.

Comparison of Year Ended December 31, 2016 and 2017

Revenue

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th></th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$242,116</td>
<td>$385,966</td>
<td>$143,850</td>
<td>59.4%</td>
</tr>
<tr>
<td>Less: Platform Fulfilment Revenue</td>
<td>(48,511)</td>
<td>(74,182)</td>
<td>(25,671)</td>
<td>(52.9)</td>
</tr>
<tr>
<td>Adjusted Revenue</td>
<td>$193,605</td>
<td>$311,784</td>
<td>$118,179</td>
<td>61.0%</td>
</tr>
</tbody>
</table>

Revenue for the year ended December 31, 2017 increased by $143.9 million, or 59.4%, compared to the year ended December 31, 2016. Adjusted Revenue for the year ended December 31, 2017 increased by $118.2 million, or 61.0%, compared to the year ended December 31, 2016. This was a function of growth in GMV of 55.3% and increased Third-Party Take Rate from 31.3% to 32.9%. Growth in GMV was primarily driven by the Number of Orders increasing by 49.3% to approximately 1.9 million. This was driven by growth in Active Consumers from 651,674 to 935,772 (an increase of 43.6%) over the same period, which was due to continued growth in demand from existing consumers across international markets together with an increase in new consumer orders.

We also had an increase in supply as the number of luxury sellers grew significantly during 2017. Growth in Third-Party Take Rate was a result of improved commercial terms with our platform partners. In addition to the growth in the number of consumers, AOV grew by 6.2% to $620.0. In-Store Revenue also increased from $12.7 million to $15.4 million, an increase of 21.3%, due to strong consumer engagement and new incentives for sales associates. Platform Fulfilment Revenue accounted for 19.2% of revenue in 2017, down from 20.0% in 2016.

Cost of revenue, gross profit and gross profit margin

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th></th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>$ (125,238)</td>
<td>$ (181,200)</td>
<td>$ (55,962)</td>
<td>(44.7%)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>116,878</td>
<td>204,766</td>
<td>87,888</td>
<td>75.2</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>48.3%</td>
<td>53.1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cost of revenue for the year ended December 31, 2017 increased by $56.0 million, or (44.7%), compared to the year ended December 31, 2016, which was primarily driven by the increase in delivery, packaging and transaction processing expenditures as a result of the increased Number of Orders.

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Our gross profit margin improved from 48.3% to 53.1% for the year ended December 31, 2016 to the year ended December 31, 2017, which was primarily driven by an increase in blended commissions on sales generated through our Marketplace and scale efficiencies of fulfilment expenditures.

Selling, general and administrative expenses

Selling, general and administrative expenses consisted of the following components:

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31, 2016</th>
<th>2017</th>
<th>% Change</th>
<th>% of Adjusted Revenue 2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand generation expense</td>
<td>$ (48,381)</td>
<td>$ (69,202)</td>
<td>(43.0%)</td>
<td>(25.0%)</td>
<td>(22.2%)</td>
</tr>
<tr>
<td>Technology expense</td>
<td>(12,269)</td>
<td>(31,611)</td>
<td>(157.6)</td>
<td>(6.3)</td>
<td>(10.1)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>(6,897)</td>
<td>(10,980)</td>
<td>(59.2)</td>
<td>(3.6)</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Share based payments</td>
<td>(19,848)</td>
<td>(21,486)</td>
<td>(8.3)</td>
<td>(10.3)</td>
<td>(6.9)</td>
</tr>
<tr>
<td>General and administrative</td>
<td>(118,163)</td>
<td>(165,981)</td>
<td>(40.5)</td>
<td>(61.0)</td>
<td>(53.2)</td>
</tr>
<tr>
<td>Total</td>
<td>$ (205,558)</td>
<td>$ (299,260)</td>
<td>(45.6%)</td>
<td>(106.2%)</td>
<td>(96.0%)</td>
</tr>
</tbody>
</table>

Demand generation expense

Demand generation expense for the year ended December 31, 2017 increased by $20.8 million, or (43.0%), compared to the year ended December 31, 2016. The expenditures related to existing markets and our continued international expansion into emerging markets across all channels. We gained efficiencies in our demand generation spend by scaling marketing operations across the 190 markets in which we have consumers and by automating campaign management and set up, thereby reducing the amount of time it takes to promote new products added to the platform. Demand generation expense declined as a percentage of Adjusted Revenue, from (25.0%) in 2016 to (22.2%) in 2017, resulting in an increase in Platform Order Contribution Margin over the same period, from 35.0% in 2016 to 43.0% in 2017.

Technology expense

Technology expense for the year ended December 31, 2017 increased by $19.3 million, compared to the year ended December 31, 2016, which was primarily driven by an increase in technology staff headcount from 494 to 802 during 2017, as we continued to develop new technologies and maintain and improve our platform. Total cash spend amounted to $50.6 million during 2017, $19.0 million of which was capitalized, as compared to a total of $24.9 million during 2016, $12.6 million of which was capitalized.
Depreciation and amortization

<table>
<thead>
<tr>
<th>Depreciation and amortization</th>
<th>Year ended December 31,</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$ (6,897)</td>
<td>$ (10,980)</td>
<td>$ (4,083)</td>
</tr>
</tbody>
</table>

Depreciation and amortization expense for the year ended December 31, 2017 increased by $4.1 million, or (59.2%), compared to the year ended December 31, 2016, which was primarily driven by an increase in our amortization expenses. Amortization increased because of our continued technology investment, in which we capitalize qualifying technology development costs and amortize them over a three-year period. The increase in depreciation primarily related to the depreciation of leasehold improvements to our offices.

Share based payments

<table>
<thead>
<tr>
<th>Share based payments</th>
<th>Year ended December 31,</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>Share based payments</td>
<td>$ (19,848)</td>
<td>$ (21,486)</td>
<td>$ (1,638)</td>
</tr>
</tbody>
</table>

Share based payments for the year ended December 31, 2017 increased by $1.6 million, or (8.3%), compared to December 31, 2016, which was primarily driven by an increase in the number of options granted because of an increased headcount.

General and administrative expense

<table>
<thead>
<tr>
<th>General and administrative</th>
<th>Year ended December 31,</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>$ (118,163)</td>
<td>$ (165,981)</td>
<td>$ (47,818)</td>
</tr>
</tbody>
</table>

General and administrative expense for the year ended December 31, 2017 increased by $47.8 million, or (40.5%), compared to the year ended December 31, 2016, which was primarily driven by an increase in headcount, excluding technology staff which are included in the technology expense above, from 906 to 1,367, an increase of 50.9%. We increased non-technology headcount across a number of areas to support the growth of the business. In addition, we continued to expand geographically, increasing our global workforce across 12 office locations during 2017. Other increases were due to facilities and office costs and other fixed overhead costs. During 2017, we also invested more in Farfetch brand building activities. General and administrative costs as a percentage of Adjusted Revenue decreased from (61.0%) to (53.2%) as we leveraged the benefits from prior year investment to support our growth.

Adjusted EBITDA

<table>
<thead>
<tr>
<th>Adjusted EBITDA</th>
<th>Year ended December 31,</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$ (53,380)</td>
<td>$ (58,079)</td>
<td>$ (4,699)</td>
</tr>
<tr>
<td>% of Adjusted Revenue</td>
<td>(27.6%)</td>
<td>(18.6%)</td>
<td></td>
</tr>
</tbody>
</table>
Adjusted EBITDA loss for the year ended December 31, 2017 increased by $4.7 million, or (8.8%), compared to the year ended December 31, 2016. This was primarily driven by increased investment in demand generation and technology expenses to support continued growth in GMV and Adjusted Revenue. There was also an increase in general and administrative expenses as we continued to scale our business. Although there was an increased Adjusted EBITDA loss compared to the year ended December 31, 2016, we have leveraged operational synergies where our selling, general and administrative expenses have grown at a slower rate than Adjusted Revenue. This is demonstrated by the reduction in Adjusted EBITDA loss as a percentage of Adjusted Revenue from (27.6%) for the year ended December 31, 2016 compared to (18.6%) to for year ended December 31, 2017.

Changes in Accounting Policies and Disclosures

Amendments to Standards That Are Mandatorily Effective for the Current Year

During the year ended December 31, 2018, the Group has applied the below amendments to IFRSs issued by the IASB that are mandatorily effective for an accounting period that began on or after January 1, 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- IFRS 9 Financial Instruments (effective January 1, 2018)
- IFRS 2 (amendments) Classification and Measurement of Share based Payment Transactions (effective January 1, 2018)

The adoption of IFRS 9 and IFRS 2 (amendments) did not have a material impact on our reported assets and liabilities and profit or loss.

IFRS 15 was early adopted by the Group on January 1, 2017.

New and Revised Standards in Issue But Not Yet Effective

At the date of authorization of the financial statements, we have not applied the following new and revised standards that have been issued but are not yet effective:

- IFRS 16 Leases (effective January 1, 2019)

IFRS 16 will require lease liabilities and right of use assets for leases to be recognized on the Statement of Financial Position. We have completed an impact assessment. This assessment indicates that there will be a significant impact on the value of non-current assets and lease liabilities as the leases for office, production and retail space are currently accounted for as operating leases. For the current level of operating lease commitments refer to the contractual obligations table above. There will be an immaterial impact on the reported results for the year.

See Note 2.4 to our consolidated financial statements included in this Annual Report.

Critical Accounting Estimates and Judgments

Our consolidated financial statements are prepared in conformity with IFRS, as issued by the IASB. In preparing our audited consolidated financial statements, we make assumptions, judgments and estimates that can have a significant impact on amounts reported in our consolidated financial statements. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. We regularly reevaluate our assumptions, judgments and estimates. Our critical accounting estimates and judgments are described in Note 3 to our audited consolidated financial statements included elsewhere in this Annual Report.
B. Liquidity and Capital Resources

General

As of December 31, 2018, we had cash and cash equivalents of $1,044.8 million. Our cash and cash equivalents consist primarily of cash in bank accounts and deposits in money market funds.

Since our inception, we have financed our operations primarily through equity issuances and cash generated from our operating activities. Our primary requirements for liquidity and capital are to finance working capital, capital expenditures and general corporate purposes. We believe that our sources of liquidity and capital will be sufficient to meet our business needs in the next 12 months. Our capital expenditure consists primarily of technology development costs, computer equipment and the fit out and improvements to our offices.

The following table shows summary consolidated cash flow information for the periods presented.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash outflow from operating activities</td>
<td>$(47,079)</td>
<td>$(59,320)</td>
<td>$(116,205)</td>
</tr>
<tr>
<td>Net cash outflow from investing activities</td>
<td>(16,961)</td>
<td>(28,863)</td>
<td>(63,538)</td>
</tr>
<tr>
<td>Net cash inflow from financing activities</td>
<td>161,173</td>
<td>300,142</td>
<td>859,526</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>$ 97,133</td>
<td>$ 211,959</td>
<td>$ 679,783</td>
</tr>
</tbody>
</table>

**Net Cash Outflow From Operating Activities**

Net cash outflow from operating activities increased to $116.2 million in the year ended December 31, 2018 from $59.3 million in the year ended December 31, 2017, an increase of $56.9 million, or 96.0%. The increase was primarily due to an increase in the loss after tax from $112.3 million to $155.6 million.

Net cash outflow from operating activities increased to $59.3 million in the year ended December 31, 2017 from $47.1 million in the year ended December 31, 2016, an increase of $12.2 million, or 26.0%, primarily due to an increase in the loss after tax from $81.5 million to $112.3 million, which was partially offset by favorable net working capital and foreign exchange movements. Favorable working capital movements are a function of our business model, in which we collect cash from consumers on average 45 days before we remit to the sellers.

**Net Cash Outflow From Investing Activities**

Net cash outflow from investing activities increased to $63.5 million in the year ended December 31, 2018, from $28.9 million in the year ended December 31, 2017, an increase of $34.6 million, or 119.7%. The increase was primarily due to our continued investment in technology development (increasing from $19.0 million to $51.0 million over the period) as discussed above. In line with headcount growth, we have increased investments in office facilities and computer equipment spend, increasing from $12.6 million to $21.1 million over the line period.

Net cash outflow from investing activities increased to $28.9 million in the year ended December 31, 2017, from $17.0 million in the year ended December 31, 2016, an increase of $11.9 million, or 70.2%, primarily due to our continued investment in technology development (increasing from $12.6 million to $19.0 million over the period) as discussed above. In line with headcount growth, we have increased investments in office facilities and computer equipment spend, increasing from $6.0 million to $12.6 million over the period.

**Net Cash Inflow From Financing Activities**

The increase in cash from financing activities was primarily driven by our IPO in the third fiscal quarter of 2018 which raised $775.7 million, net of issue costs. Other contributing factors include the series G funding round follow-on where the company raised $82.3 million, net of issue costs.
Share Based Payments

Employees receive remuneration in the form of share based payments in the from either equity or cash settled depending on the scheme. For further details, See Note 2.3 (o), “Summary of significant accounting policies” to our audited consolidated financial statements included elsewhere in this Annual Report for further detail.

C. Research and Development, Patents and Licenses, etc.

See Note 10 to our consolidated financial statements included in this Annual Report.

D. Trend Information

Other than as disclosed elsewhere in this Annual Report, we are not aware of any trends, uncertainties, demands, commitments or events since December 31, 2018 that are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

In the ordinary course of business, we enter into operating lease commitments and capital commitments. These transactions are recognized in the consolidated financial statements in accordance with IFRS, as issued by the IASB, and are more fully disclosed therein.

As of December 31, 2018, we had not entered into any other off-balance sheet transactions.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2018:

<table>
<thead>
<tr>
<th>Contractual Obligations</th>
<th>Total</th>
<th>Less than 1 year</th>
<th>1-3 years</th>
<th>3-5 years</th>
<th>more than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Lease Obligations</td>
<td>$103,034</td>
<td>$15,820</td>
<td>$26,599</td>
<td>$22,584</td>
<td>$38,031</td>
</tr>
<tr>
<td>Total</td>
<td>$103,034</td>
<td>$15,820</td>
<td>$26,599</td>
<td>$22,584</td>
<td>$38,031</td>
</tr>
</tbody>
</table>

G. Safe Harbor

See the section entitled "Cautionary Statement Regarding Forward-Looking Statements" at the beginning of this Annual Report.
Executive Officers and Board Members

The following table presents information about our current executive officers and Board, including their ages as of February 28, 2019:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Officers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>José Neves</td>
<td>44</td>
<td>Chief Executive Officer and Co-Chair of the Board</td>
</tr>
<tr>
<td>Elliot Jordan</td>
<td>43</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Andrew Robb</td>
<td>42</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>Board Members</td>
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<tr>
<td>Frederic Court(2)</td>
<td>49</td>
<td>Board Member</td>
</tr>
<tr>
<td>Dana Evan(1)(2)</td>
<td>59</td>
<td>Board Member</td>
</tr>
<tr>
<td>Jon Kamaluddin(1)</td>
<td>45</td>
<td>Board Member</td>
</tr>
<tr>
<td>Dr. Jon Jainwen Liao, PhD(4)</td>
<td>51</td>
<td>Board Member</td>
</tr>
<tr>
<td>Natalie Massenet(3)</td>
<td>53</td>
<td>Co-Chair of the Board</td>
</tr>
<tr>
<td>Jonathan Newhouse</td>
<td>66</td>
<td>Board Member</td>
</tr>
<tr>
<td>Danny Rimert(2)(3)</td>
<td>48</td>
<td>Board Member</td>
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<tr>
<td>Michael A. Risman(1)</td>
<td>50</td>
<td>Board Member</td>
</tr>
<tr>
<td>David Rosenblatt(2)(3)</td>
<td>50</td>
<td>Board Member</td>
</tr>
</tbody>
</table>

(1) Member of the audit committee.
(2) Member of the compensation committee.
(3) Member of the nominating and corporate governance committee.
(4) Dr. Jon Jainwen Liao, Ph.D. joined our board in February 2019, following the departure of Mr. Liu.

The current business addresses for our executive officers and Board is c/o Farfetch Limited, The Bower, 211 Old Street, London EC1V 9NR, United Kingdom.

Executive Officers

José Neves is our founder and has served as our Chief Executive Officer since 2008. He is also Co-Chair of our Board. Mr. Neves has been involved in luxury fashion since the mid-1990s when he launched footwear business SWEAR. Mr. Neves later founded SIX London, and in 2001, Mr. Neves opened the B-Store, which won the British Fashion Award for Retailer of the Year in 2006. Mr. Neves served on the British Fashion Council board from 2016 to 2018. Mr. Neves currently serves on the boards of several private companies. Mr. Neves studied Economics at the Universidade do Porto in Portugal.

Elliot Jordan has served as our Chief Financial Officer since 2015. Prior to joining us, Mr. Jordan was Director of Finance at ASOS.com, before which he held various senior finance roles at J Sainsbury plc. Mr. Jordan holds a degree from the University of Waikato and is a qualified chartered accountant with the Chartered Accountants of Australia and New Zealand.

Andrew Robb has served as our Chief Operating Officer since 2010, before which he was the Managing Director of Cocosa.com. Prior to that, Mr. Robb held management positions at eBay and Peoplesound.com. Mr. Robb holds a degree from the University of Oxford and an MBA from INSEAD.

Board Members

Frederic Court has served as a non-executive director since April 2010. Mr. Court is the founder and managing partner of Felix Capital, a venture capital firm he launched in 2015. Mr. Court also has been a General Partner at Advent Ventures since 2001 with a global focus on investment opportunities in consumer internet, mobile and software. Mr. Court brings over 20 years’ experience in entrepreneurial investment in the technology industry.
Mr. Court currently serves on the boards of several private companies. Mr. Court holds a degree from ESSEC Business School in Paris.

**Dana Evan** has served as a non-executive director since April 2015. Ms. Evan is a venture partner at Icon Ventures and has invested in and served on the boards of companies in the internet, technology and media sectors since 2007. Between 1996 and 2007, Ms. Evan served as Chief Financial Officer of VeriSign, Inc. Ms. Evan brings over 25 years of executive leadership experience in global finance and operations management in the technology and media sectors. Ms. Evan currently serves on the boards of SurveyMonkey Inc., Domo Inc., Box, Inc. and Proofpoint, Inc. Ms. Evan also serves on the boards of several private technology companies. Ms. Evan has also served on the board of directors of Criteo S.A. from 2013 to 2017, Fusion-IO from 2011 to 2014, Everyday Health Inc. until it was acquired by Ziff Davis, LLC in December 2016, Fusion-IO, Inc., which was acquired by SanDisk in August 2014 and Omniture, Inc., until it was acquired by Adobe Systems Inc. in 2009. Ms. Evan holds a degree from the University of Santa Clara and is a Certified Public Accountant (inactive).

**Jon Kamaluddin** has served as a non-executive director since June 2015. Mr. Kamaluddin brings over 16 years of executive experience in creative consumer brands and related enabling-technologies investment, e-commerce and technology. Mr. Kamaluddin served as a member of the board of ASOS PLC between 2004 and 2013, while spending five years as the Financial Director and the company Secretary before moving to the International Director position. Mr. Kamaluddin currently serves on the board of BCA Marketplace Plc, where he also serves as Chairman of the audit committee, and serves on the boards of several private companies as well. He is also Chairman of the board of a private company. Mr. Kamaluddin holds a degree from the University of Bristol. Mr. Kamaluddin is a Fellow of the Institute of Chartered Accountants in England and Wales.

**Dr. Jon Jainwen Liao, Ph.D.** has served as a non-executive director since February 2019. Dr. Liao is Chief Strategy Officer of JD.com and oversees the development of JD’s global strategy, innovation, and corporate development. Prior to joining JD.com in April 2017, Dr. Liao served as Professor of Strategy and Innovation and Associate Dean at Cheung Kong Graduate School of Business. Dr. Liao currently serves on the board of several companies, including 361 Degrees International Limited, China United Network Communications Limited and Yonghui Superstores Co., Ltd., among others. Dr. Liao holds a Ph.D. in Business Administration from Southern Illinois University, a master of arts in Foreign Economics and Management from Renmin University of China and a bachelor of science in Industrial Engineering from Northeastern University.

**Dame Natalie Massenet, DBE** has served as a non-executive director and Co-Chair of our Board since February 2017. Ms. Massenet is currently the Co-Managing Partner of Imaginary Ventures, whose portfolio companies include Everlane, Reformation and Good American. In 2000, Ms. Massenet founded and launched her e-commerce venture, Net-A-Porter, a luxury fashion online retailer. Ms. Massenet served as Executive Chairman until September 2015, when she stepped down following the YOOX and Net-a-Porter merger. Ms. Massenet currently serves on the board of Mothers for Mothers and previously served on the British Fashion Council as Chairman from 2012 to 2017. In 2009, Ms. Massenet was awarded an MBE and, in January 2016, she was made a Dame Commander of the Order of the British Empire. Both awards were in recognition of her contributions to the United Kingdom fashion and retail industries. Ms. Massenet holds a degree from University of California, Los Angeles.

**Jonathan Newhouse** has served as a non-executive director since July 2017. Mr. Newhouse has been Chairman of Condé Nast International, a media holding company, since 1991 and serves on the management board of Condé Nast U.S. Mr. Newhouse currently serves on the boards and committees of numerous Condé Nast International’s group and publication companies, including Tatler Publishing Company Limited and Interculture Communications Inc. Mr. Newhouse previously served as Executive Vice President of The New Yorker in the mid-1980s and then publisher of Details Magazine. Mr. Newhouse is also a founder and director of Child Priority Foundation, an Italy-based charitable organization, which was started in 2001. Mr. Newhouse was honored as Officer in the Order of Arts and Letters of France in 2008, and in 2017 was granted an honorary fellowship from Shenkar College in Tel Aviv, honoring him for his achievements and contribution to the fashion and publishing industries. Mr. Newhouse attended Yale College.

**Danny Rimer** has served as an observer since 2011 and as a non-executive director since February 2015. Mr. Rimer has been a general partner at Index Ventures, a venture capital firm, since 2002. Mr. Rimer currently serves as non-executive director on the boards of several private companies. From 2008 to 2015, Mr. Rimer served
on the boards of Boku and British Sky Broadcasting Group plc, and from 2012 to 2015, he served on the board of Etsy Inc. Mr. Rimer also previously held board positions with Betfair, Dropbox and Skype. He was appointed an Officer of the Order of the British Empire (OBE) in 2017 for services to business and charity. Mr. Rimer holds a degree from Harvard University.

**Michael A. Risman** has served as a non-executive director since April 2014. Mr. Risman is Managing Partner and a founding member of Vitruvian Partners, having co-founded the firm in 2006. Prior to Vitruvian, Mr. Risman spent ten years at Apax Partners where he was a Global Equity Partner and led their Information Technology Investment Team in Europe. Between 2012 and 2016, Mr. Risman served as a non-executive director of Just Eat plc, and he previously served on the board of Dialog Semiconductor Plc. Mr. Risman currently serves on the boards of several private companies as non-executive director. Mr. Risman has a degree from the University of Cambridge and an MBA from Harvard Business School.

**David Rosenblatt** has served as non-executive director since May 2017. Since 2011, Mr. Rosenblatt has served as the Chief Executive Officer of 1stdibs.com and also serves on their board of directors. From 2004 through 2008, Mr. Rosenblatt served as the Chief Executive Officer of DoubleClick. Following Mr. Rosenblatt’s sale of DoubleClick to Google in 2007, he served as Google’s President of Display Advertising until 2009. Mr. Rosenblatt currently serves on the boards of Twitter and IAC/InterActive Corp, where he also serves on the Compensation Committee. He has previously served on the board of Narrative Science, Inc. and was Chairman and co-founder of Group Commerce, Inc. Mr. Rosenblatt has a degree from Yale University and an MBA from the Stanford University Graduate School of Business.

**Director Nomination and Appointment Rights**

In connection with Kadi Group’s purchase of shares of Farfetch.com, Kadi Group and José Neves entered into a commitment agreement, as amended, pursuant to which Mr. Neves agreed to exercise all voting rights held directly or indirectly by him in favor of any shareholder resolution proposing to appoint Mr. Liu, the Chairman and Chief Executive Officer and controlling shareholder of JD.com, a former director on our Board, as a director of the Company and to use all reasonable endeavors to seek commitment from certain other investors to support Mr. Liu remaining as a director of the Company. In February 2019, the parties entered into an amended and restated commitment agreement providing that Dr. Liao or another senior executive of JD.com designated by JD.com serve on our board, provided that Dr. Liao or such other JD.com designee be recommended for such Board service by our nominating and corporate governance committee. The amended and restated commitment agreement is otherwise substantively similar to the original commitment agreement and provides that Mr. Neves will exercise all voting rights held by him in favor of any shareholder resolution proposing to appoint Dr. Liao, or other designated JD.com senior executive as a director of the Company and to use all reasonable endeavors to seek commitment from certain other investors to support Dr. Liao remaining as a director of the Company. This obligation is conditional on JD.com holding no less than 33,658,328 Class A ordinary shares (subject to appropriate adjustment for any share split, consolidation or similar event). See Item 7. “Major Shareholders and Related Party Transactions—B. Related party transactions.”

**B. Compensation**

**Compensation**

We set out below the amount of compensation paid and benefits in kind provided by us or our subsidiaries to our executive officers and members of our Board for services in all capacities to us or our subsidiaries for the year ended December 31, 2018, as well as the amount contributed by us or our subsidiaries to retirement benefit plans for our executive officers and members of our Board.

**Executive Officer and Board Member Compensation**

The compensation for each of our executive officers is comprised of the following elements: base salary, an annual incentive tied to achievement of company and individual performance, contractual benefits, and pension contributions. Total cash compensation paid and benefits in kind provided to our executive officers and members of our Board for the year ended December 31, 2018 was $1.5 million. In addition, our executive officers and members
of our Board were granted an aggregate of 8,445,000 shares subject to stock options in the year ended December 31, 2018.

**IPO Equity Awards**

At the time of our IPO, we granted restricted stock units (A) to be settled in 875,000 and 89,015 Class A ordinary shares to José Neves and David Rosenblatt, respectively, and (B) to be settled in 10,000 Class A ordinary shares to each of Dana Evan and Jon Kamaluddin, in each case under the 2018 Plan (as defined below). These grants vest in installments over time, subject to continued employment or service, as applicable.

**Executive Officer Employment Agreements and Board Member Service Agreements**

Our executive officers each currently have an employment agreement providing for employment for an indefinite period of time, subject to a six-month (in the case of Mr. Jordan and Mr. Robb) or twelve-month (in the case of Mr. Neves) notice period upon termination of employment by either the executive or us, other than terminations for gross misconduct.

We have also entered into written service agreements with each of Dana Evan, Jonathan Kamaluddin, David Rosenblatt and Natalie Massenet, providing for an indefinite period of service and the grant of equity awards. These agreements provide for a three-month notice period upon termination of service by either party (other than terminations for misconduct), but do not provide for any other benefits upon a termination of service. We have not entered into written employment or service agreements with any of our other non-employee directors in connection with such person’s service in such capacity. However, we may in the future enter into employment or service agreements with such individuals, the terms of which may provide for, among other things, cash or equity based compensation and benefits.

**Long-Term Incentive Plans**

**Farfetch.com Limited Enterprise Management Incentive Scheme**

The Farfetch.com Limited Enterprise Management Incentive Scheme (the “EMI Plan”) allows for the grant of options to purchase Farfetch.com ordinary shares to eligible directors or employees of Farfetch.com or its subsidiaries. The EMI Plan is administered by our Board whose decisions on all disputes and matters concerning the interpretation of the rules are final. Options granted under the EMI Plan are governed by the rules of the EMI Plan, an option agreement entered into with each participant, and Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003. Each of the options granted under the EMI Plan is fully vested and we expect the grants to be exercised prior to completion of this offering. The EMI Plan is closed to any new grants.

**Farfetch.com Limited Share Option Scheme**

The Farfetch.com Limited Share Option Scheme (the “Share Option Plan”) allows for the grant of options to purchase Farfetch.com ordinary shares to eligible directors or employees of Farfetch.com or our subsidiaries. The Share Option Plan is administered by our Board whose decisions on all disputes and matters concerning the interpretation of the rules are final. Options granted under the Share Option Plan are governed by the rules of the Share Option Plan and an option agreement entered into with each participant. The options generally vest over four years from the date of grant of the option, subject to the participant’s continued employment by us. The Share Option Plan is closed to any new grants.

**Farfetch.com Limited 2015 Long-Term Incentive Plan**

The Farfetch.com Limited 2015 Long-Term Incentive Plan (the “LTIP”) allows for the grant of options to purchase Farfetch.com ordinary shares, restricted shares and linked awards to eligible directors or employees of us or our subsidiaries. The LTIP is administered by our Board whose decisions on all disputes and matters concerning the interpretation of the rules are final. No restricted shares have been granted under the LTIP. Options granted pursuant to the LTIP vest over four years subject to the participant’s continued employment by us.
Pursuant to the LTIP, we entered into linked award deeds (the “Linked Award Deeds”) with certain employees, which provide the employee with the simultaneous award of an option to purchase ordinary shares and the issuance of restricted linked Class A ordinary shares (together a, “Linked Award”). The restricted Class A ordinary shares are not transferable.

The restricted linked ordinary shares held by an employee converted into restricted Class A ordinary shares immediately prior to the Initial Public Offering in September 2018. On each occasion that the employee proposes to realize the Linked Awards, a formula (as set out in the applicable Linked Award Deed) is applied to calculate how many linked shares will cease to be subject to restrictions on transfer to deliver to the employee the “in-the-money value” of the Linked Award (i.e., market value of our Class A ordinary shares less the exercise price). If the in-the-money value of the vested Linked Award is delivered by the release of linked shares, the options purported to be exercised will lapse. To the extent the employee does not hold a sufficient number of linked shares to deliver the in-the-money value of the Linked Award being exercised, then the option will be exercised over Class A ordinary shares. As at December 31, 2018, there were 9,128,689 restricted linked Class A ordinary shares.

Additional Individual Option Schemes

We have entered into letter agreements with certain employees in connection with the recent acquisition of Fashion Concierge UK Limited (“Fashion Concierge”). Pursuant to such letter agreements, certain employees will receive a grant of our shares if they (1) are employed (and have not yet served or been served a notice of termination) on the third anniversary of their employment commencement date with us or (2) cease employment prior to the third anniversary of their employment commencement date with us due to a good leaver termination. The employees receive an additional grant of shares pursuant to such letter agreements, (the “Conditional Share Issuance”) if (1) they are employed (and have not yet served or been served a notice of termination) on December 31, 2020, or prior to this date, ceased to be employed due to a good leaver termination and (2) for the 2020 financial year a minimum weighted average commission of 7% has been achieved by Fashion Concierge. The number of shares issued under the Conditional Share Issuance varies depending on the net transaction value achieved by Fashion Concierge for the 2020 financial year.

2018 Farfetch Employee Equity Plan

We have adopted the 2018 Farfetch Employee Equity Plan (the “2018 Plan”), under which we may grant cash and equity-based incentive awards in order to attract, motivate and retain the talent for which we compete. The material terms of the 2018 Plan, are summarized below.

Eligibility and Administration. Our employees, consultants and directors, are eligible to receive awards under the 2018 Plan. The 2018 Plan is administered by our Board with respect to awards to non-employee directors and by the compensation committee with respect to other participants, each of which may delegate its duties and responsibilities to committees of our directors and/or officers (referred to collectively as the plan administrator below), subject to certain limitations that may be imposed under stock exchange rules. The plan administrator has the authority to make all determinations and interpretations under, prescribe all forms for use with, and adopt rules for the administration of, the 2018 Plan, subject to its express terms and conditions. The plan administrator also sets the terms and conditions of all awards under the 2018 Plan, including any vesting and vesting acceleration conditions.

Limitation on Awards and Shares Available. The aggregate number of our Class A ordinary shares that is available for issuance under awards granted pursuant to the 2018 Plan is equal to the sum of (i) 27,500,112 Class A ordinary shares and (ii) an annual increase on the first day of each year beginning in 2019 and ending in 2028, equal to the lesser of (A) 5% of the Class A ordinary shares outstanding (on an as-converted basis) on the last day of the immediately preceding fiscal year and (B) such smaller number of Class A ordinary shares as determined by our Board, provided, however, no more than 98,209,661 shares may be issued upon the exercise of incentive share options. The shares may be authorized but unissued shares, or shares purchased in the open market. If an award under the 2018 Plan is forfeited, expires or is settled for cash, any shares subject to such award may, to the extent of such forfeiture, expiration or cash settlement, be used again for new grants under the 2018 Plan. However, the following shares may not be used again for grant under the 2018 Plan: (1) shares tendered or withheld to satisfy grant or exercise price or tax withholding obligations associated with an award; (2) shares subject to a share
appreciation right, or SAR, that are not issued in connection with the share settlement of the SAR on its exercise; and (3) shares purchased on the open market with the cash proceeds from the exercise of options.

Awards granted under the 2018 Plan upon the assumption of, or in substitution for, awards authorized or outstanding under a qualifying equity plan maintained by an entity with which we enter into a merger or similar corporate transaction will not reduce the shares available for grant under the 2018 Plan. The maximum amount of the grant date fair value of equity-based awards and the amount of any cash-based awards granted to a non-employee director pursuant to the 2018 Plan during any calendar year will be $1,000,000, increased to $1,500,000 in the fiscal year of his or her initial service as a non-employee director.

Awards. The 2018 Plan provides for the grant of share options, including incentive share options (“ISOs”) and nonqualified share options (“NSOs”) restricted shares, dividend equivalents, share payments, restricted share units (“RSUs”), performance shares, other incentive awards, share appreciation rights (“SARs”) and cash awards. No determination has been made as to the types or amounts of awards that will be granted to specific individuals pursuant to the 2018 Plan. Certain awards under the 2018 Plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards. All awards under the 2018 Plan will be set forth in award agreements, which will detail all terms and conditions of the awards, including any applicable vesting and payment terms and post-termination exercise limitations. Awards other than cash awards generally will be settled in Class A ordinary shares, but the plan administrator may provide for cash settlement of any award.

Certain Transactions. The plan administrator has broad discretion to take action under the 2018 Plan, as well as make adjustments to the terms and conditions of existing and future awards, to prevent the dilution or enlargement of intended benefits and facilitate necessary or desirable changes in the event of certain transactions and events affecting our Class A ordinary shares, such as share dividends, share splits, mergers, acquisitions, consolidations and other corporate transactions. In addition, in the event of certain non-reciprocal transactions with our shareholders known as “equity restructurings,” the plan administrator will make equitable adjustments to the 2018 Plan and outstanding awards. In the event of a change in control of our Company (as defined in the 2018 Plan), to the extent that the surviving entity declines to continue, convert, assume or replace outstanding awards, then all such awards will become fully vested and exercisable in connection with the transaction. Upon or in anticipation of a change of control, the plan administrator may cause any outstanding awards to terminate at a specified time in the future and give the participant the right to exercise such awards during a period of time determined by the plan administrator in its sole discretion. Individual award agreements may provide for additional accelerated vesting and payment provisions.

Non-U.S. Participants. The plan administrator may modify award terms, establish subplans and/or adjust other terms and conditions of awards, subject to the share limits described above, in order to facilitate grants of awards subject to the laws and/or stock exchange rules of countries outside of the United States.

Claw-Back Provisions, Transferability, and Participant Payments. All awards will be subject to the provisions of any claw-back policy implemented by us to the extent set forth in such claw-back policy and/or in the applicable award agreement. With limited exceptions for estate planning, domestic relations orders, certain beneficiary designations and the laws of descent and distribution, awards under the 2018 Plan are generally non-transferable prior to vesting, and are exercisable only by the participant. With regard to tax withholding, exercise price and purchase price obligations arising in connection with awards under the 2018 Plan, the plan administrator may, in its discretion, accept cash or check, our Class A ordinary shares that meet specified conditions, a “market sell order” or such other consideration as it deems suitable.

Plan Amendment and Termination. Our Board may amend or terminate the 2018 Plan at any time; except in connection with certain changes in our capital structure. No award may be granted pursuant to the 2018 Plan after the tenth anniversary of the date on which our Board adopts the 2018 Plan.

Section 162(m) Reliance Period. The 2018 Plan provides that to the maximum extent permitted under applicable law, all awards granted pursuant to the 2018 Plan shall be interpreted to qualify for any post-public offering reliance period deduction limit exception set forth in U.S. Treasury Regulation 1.162-27(f) (or any successor thereto). Under current law, for newly public companies, Section 162(m) offers a transition relief period during which time the $1,000,000 deduction limitation does not apply to certain plans or arrangements that existed.
before the Company became publicly held. A company may generally rely on this transition relief period until the earliest of (i) the expiration of the plan; (ii) the material modification of the plan; (iii) the issuance of all employer share and other compensation allocated under the plan; or (iv) the first meeting of shareholders at which directors are to be elected that occurs after the close of the third calendar year following the calendar year in which the initial public offering occurs or, in the case of a private company that becomes publicly held without an initial public offering, the first calendar year following the calendar year in which the company becomes publicly held.

Indemnification

Our executive officers and Board members have the benefit of indemnification provisions in our Articles. These provisions give our executive officers and Board members the right, to the fullest extent permitted by law, to recover from us amounts, including but not limited to litigation expenses, and any damages they are ordered to pay, in relation to acts or omissions in the performance of their duties.

Insofar as indemnification of liabilities arising under the Securities Act may be permitted to executive officers and Board members or persons controlling us pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

C. Board Practices

Board of Directors

We currently have ten directors, eight of whom have been determined by the Board to qualify as “independent” pursuant to the rules of the NYSE. Mr. Neves and Ms. Massenet are the Co-Chairs of our Board. Directors can be appointed and removed and/or replaced by an ordinary resolution of the shareholders. In addition, directors may be appointed either to fill a vacancy arising from the resignation of a former director or as an addition to the existing Board by the affirmative vote of a simple majority of the directors present and voting at a Board meeting, which shall include the affirmative vote of Mr. Neves for as long as he is a director. A director may also be removed by notice from all of the other directors, which shall require the affirmative vote of Mr. Neves for as long as he is a director. Each of our directors holds office until he or she resigns, retires by rotation or is recused from office.

Board Committee Composition

The Board has established an audit committee; a compensation committee; and a nominating and corporate governance committee.

Audit Committee

The audit committee currently consists of Jon Kamaluddin, Dana Evan and Mike Risman, with Jon Kamaluddin serving as Chair. The audit committee consist exclusively of members of our Board who are financially literate, and each of Mr. Kamaluddin, Ms. Evan and Mr. Risman has been determined to qualify as an “audit committee financial expert” as defined by the SEC. Our Board has determined that Mr. Kamaluddin, Ms. Evan and Mr. Risman each satisfy the “independence” requirements set forth in Rule 10A-3 under the Exchange Act and has determined that the simultaneous service by Ms. Evan on the audit committee of four other public companies would not impair her ability to effectively serve on our audit committee. The audit committee is governed by a charter that complies with NYSE rules.

The audit committee is responsible for:

• recommending the appointment of the independent auditor to the general meeting of shareholders;
• the appointment, compensation, retention and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit services;
• pre-approving the audit services and non-audit services to be provided by our independent auditor before the auditor is engaged to render such services;
• evaluating the independent auditor’s qualifications, performance and independence on at least an annual basis;
• reviewing and discussing with the Board and the independent auditor our annual audited financial statements and quarterly earnings release prior to the filing of our annual report and the public disclosure of our quarterly earnings release;
• reviewing our compliance with laws and regulations, including any initiatives or major litigation or investigations against us that may have a material impact on our financial statements, and assessing our risk management, compliance procedures and hiring of independent auditor employees; and
• approving or ratifying any related person transaction (as defined in our related person transaction policy) in accordance with our related person transaction policy.

The audit committee meets as often as one or more members of the audit committee deem necessary, but in any event meets at least four times per year. The audit committee meets at least once per year with our independent registered public accounting firm, without our executive officers being present.

Compensation Committee

The compensation committee currently consists of Dana Evan, Danny Rimer, Frederic Court and David Rosenblatt with Dana Evan serving as Chair. Under SEC and NYSE rules, there are heightened independence standards for members of the compensation committee, including a prohibition against the receipt of any compensation from us other than standard Board fees. All of the members of our compensation committee members meet this heightened standard.

The compensation committee is responsible for:
• identifying, reviewing and approving corporate goals and objectives relevant to executive officer compensation;
• analyzing the possible outcomes of the variable remuneration components and how they may affect the remuneration of our executive officers;
• evaluating each executive officer’s performance in light of such goals and objectives and determining each executive officer’s compensation based on such evaluation;
• determining any long-term incentive component of each executive officer’s compensation in line with the remuneration policy and reviewing our executive officer compensation and benefits policies generally; and
• reviewing and assessing risks arising from our compensation policies and practices for our employees and whether any such risks are reasonably likely to have a material adverse effect on us.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee currently consists of Natalie Massenet, David Rosenblatt and Danny Rimer with Natalie Massenet serving as Chair.

The nominating and corporate governance committee is responsible for:
• identifying individuals qualified to become members of the Board and ensuring these individuals have the requisite expertise with sufficiently diverse and independent backgrounds;
• reviewing and evaluating the composition, function and duties of our Board;
• recommending nominees for selection to our Board and its corresponding committees;
making recommendations to the board as to determinations of Board member independence;

leading the Board in a self-evaluation, at least annually, to determine whether it and its committees are functioning effectively;

overseeing and recommending for adoption by the general meeting of shareholders the compensation for our Board members; and

developing and recommending to the Board our rules governing the Board and code of business conduct and ethics and reviewing and reassessing the adequacy of such rules governing the Board and Code of Business Conduct and Ethics and recommending any proposed changes to the Board.

Duties of Board Members and Conflicts of Interest

Under Cayman Islands law, our directors have a duty to act in good faith and in what they consider to be in the best interests of the Company. Our directors are required to exhibit, in the performance of their duties, both the degree of skill that may reasonably be expected to have from a subjective perspective determined by reference to each such director’s knowledge and experience, and the skill and care objectively to be expected from a person occupying office as a director. In fulfilling their duty of care to the Company, our directors must ensure compliance with our Articles. In certain limited circumstances, a shareholder has the right to seek damages if a duty owed by our directors is breached.

Under our Articles, directors who are in any way, whether directly or indirectly, interested in a contract or proposed contract with our Company must declare the nature of their interest at a meeting of the Board or by notice in writing to the members of the Board. If the majority of the Board determines that there is a conflict of any director (or their affiliates) with the general business of the Company, then the Board may determine to exclude such director from all further discussions of the Board and receipt of information, until such time as it is determined by the Board that the director is no longer in such conflict. Subject to the foregoing, a director may vote in respect of any contract or proposed contract notwithstanding his interest; provided that, in exercising any such vote, such director’s duties remain as described above.

D. Employees

Our People

As of December 31, 2018, we had a total of 3,232 Farfetchers, which included 177 Browns employees, and we had an additional 343 people working pursuant to freelance and consultancy contracts. Our Farfetchers are based in 13 countries, and 47% of our employees were female and 53% were male as of December 31, 2018. The table below sets out the number of Farfetchers excluding Browns employees, by geography:

<table>
<thead>
<tr>
<th>Geography</th>
<th>As of December 31, 2018</th>
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<tbody>
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<td>Portugal</td>
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<tr>
<td>India</td>
<td>7</td>
</tr>
<tr>
<td>Italy</td>
<td>5</td>
</tr>
<tr>
<td>Mexico</td>
<td>1</td>
</tr>
<tr>
<td>Australia</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,232</strong></td>
</tr>
</tbody>
</table>
As of December 31, 2018, approximately 38% of our workforce consisted of technology and product specialists. The remainder was focused on all other business areas, including marketing, operations, production and other commercial and support functions. The table below sets out the number of employees, by category, as of December 31, 2018, 2017 and 2016:

<table>
<thead>
<tr>
<th>Department</th>
<th>As of December 31, 2016</th>
<th>As of December 31, 2017</th>
<th>As of December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology and Product</td>
<td>494</td>
<td>802</td>
<td>1,241</td>
</tr>
<tr>
<td>Operations</td>
<td>487</td>
<td>759</td>
<td>1,017</td>
</tr>
<tr>
<td>Browns</td>
<td>-</td>
<td>133</td>
<td>177</td>
</tr>
<tr>
<td>Marketing</td>
<td>159</td>
<td>157</td>
<td>207</td>
</tr>
<tr>
<td>Commercial</td>
<td>93</td>
<td>114</td>
<td>146</td>
</tr>
<tr>
<td>People</td>
<td>50</td>
<td>100</td>
<td>125</td>
</tr>
<tr>
<td>Finance and Legal</td>
<td>62</td>
<td>95</td>
<td>130</td>
</tr>
<tr>
<td>Other</td>
<td>47</td>
<td>127</td>
<td>189</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,392</strong></td>
<td><strong>2,287</strong></td>
<td><strong>3,232</strong></td>
</tr>
</tbody>
</table>

We believe that we maintain a good working relationship with our people, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations. Our employees are not represented by any collective bargaining agreements or labor unions, other than our employees in Brazil who are represented by two state-level labor unions, as required by law.

E. Share Ownership

For information regarding the share ownership of directors and officers, see “Item 7. Major Shareholders and Related Party Transactions – A. Major Shareholders.” For information as to our equity incentive plans, see “Item 6. Director, Senior Management and Employees – B. Compensation – Long-Term Incentive Plans.”

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information relating to the beneficial ownership of our Class A ordinary shares and Class B ordinary shares as of January 31, 2019, for:

(a) each person, or group of affiliated persons, known by us to beneficially own 5% or more of our outstanding Class A ordinary shares or Class B ordinary shares;

(b) each of our executive officers and our Board; and

(c) all of our executive officers and our Board as a group.

For further information regarding material transactions between us and principal shareholders, see “Related party transactions” below.

The number of Class A ordinary shares and/or Class B ordinary shares beneficially owned by each entity, person, executive officer or Board member is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has sole or shared voting power or investment power as well as any shares that the individual has the right to acquire within 60 days of January 31, 2019 through the exercise of any option, warrant or other right and the vesting of restricted linked ordinary shares. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all Class A ordinary shares or Class B ordinary shares held by that person.
Unless otherwise indicated below, the address for each beneficial owner listed is c/o Farfetch Limited, The Bower, 211 Old Street, London EC1V 9NR, United Kingdom.

<table>
<thead>
<tr>
<th>Name of beneficial owner</th>
<th>Class A ordinary shares</th>
<th>Class B ordinary shares</th>
<th>Combined voting power (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
</tr>
<tr>
<td><strong>Holders of 5% or Greater</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kadi Group Holding Limited(2)</td>
<td>42,366,665</td>
<td>16.0%</td>
<td>-</td>
</tr>
<tr>
<td>Index Ventures V (Jersey), L.P.(3)</td>
<td>28,359,930</td>
<td>10.7%</td>
<td>-</td>
</tr>
<tr>
<td>Advent Private Equity Fund(4)</td>
<td>24,559,309</td>
<td>9.3%</td>
<td>-</td>
</tr>
<tr>
<td>Farhold (Luxembourg)(5)</td>
<td>22,047,241</td>
<td>8.3%</td>
<td>-</td>
</tr>
<tr>
<td>Advance Publications(6)</td>
<td>14,838,410</td>
<td>5.6%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Executive Officers and Directors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>José Neves(7)</td>
<td>1,696,377</td>
<td>*</td>
<td>42,858,080</td>
</tr>
<tr>
<td>Elliot Jordan(8)</td>
<td>733,435</td>
<td>*</td>
<td>-</td>
</tr>
<tr>
<td>Andrew Robb(9)</td>
<td>1,812,910</td>
<td>*</td>
<td>-</td>
</tr>
<tr>
<td>Frederic Court(10)</td>
<td>634,570</td>
<td>*</td>
<td>-</td>
</tr>
<tr>
<td>Dana Evan</td>
<td>445,390</td>
<td>*</td>
<td>-</td>
</tr>
<tr>
<td>Dr. Jon Jainwen Liao, Ph.D.(12)</td>
<td>775,635</td>
<td>*</td>
<td>-</td>
</tr>
<tr>
<td>Natalie Massenet(13)</td>
<td>445,390</td>
<td>*</td>
<td>-</td>
</tr>
<tr>
<td>Jonathan Newhouse(14)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Danny Rimer(15)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mike Rismam(16)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>David Rosenblatt</td>
<td>122,750</td>
<td>*</td>
<td>-</td>
</tr>
<tr>
<td><strong>Executive officers and directors as a group (12 persons)(17)</strong></td>
<td>6,221,067</td>
<td>2.4%</td>
<td>42,858,080</td>
</tr>
</tbody>
</table>

* Indicates beneficial ownership of less than 1% of the total outstanding Class A ordinary shares.

(1) The percentage reported under "Combined Voting Power" represents the voting power with respect to all of our Class A and Class B ordinary shares outstanding as of January 31, 2019, voting as a single class. Holders of our Class A ordinary shares are entitled to one vote per share, and holders of our Class B ordinary shares are entitled to 20 votes per share.

(2) Based on information reported on Schedule 13G and filed on November 27, 2018, Kadi Group Holding Limited holds 42,366,665 Class A ordinary shares. Kadi Group Holding Limited is a wholly owned subsidiary of JD.com, Inc., which exercises voting and investment power over the Class A ordinary shares held by Kadi Group Holding Limited and may be deemed to beneficially own these Class A ordinary shares. JD.com is controlled by its founder, Chairman and Chief Executive Officer, Richard Liu, who may be deemed to beneficially own the Class A ordinary shares held by Kadi Group Holding Limited. The business address of Kadi Group Holding Limited is Geneva Place, Waterfront Drive, P.O. Box 3469, Road Town, Tortola, British Virgin Islands.

(3) Based on information reported on Schedule 13G and filed on February 12, 2019, Index Ventures V (Jersey), L.P. holds 27,780,375 Class A ordinary shares, Yucca (Jersey) SLP holds 354,500 Class A ordinary shares and Index Ventures V Parallel Entrepreneur Fund (Jersey) L.P. holds 225,055 Class A ordinary shares. Index Venture Associates V Limited ("IVA V") is the general partner of each of Index Ventures V (Jersey) L.P. and Index Ventures V Parallel Entrepreneur Fund (Jersey) L.P. (together, the "Index V Funds") and may be deemed to beneficially own the Class A shares held by the Index V Funds. Yucca (Jersey) SLP administers the investment vehicle that is contractually required to mirror the Index V Funds' investments, therefore, IVA V may be deemed to beneficially own the Class A ordinary shares held by Yucca (Jersey) SLP. The principal address of the Index V Funds and Yucca (Jersey) SLP is 44 Esplanade, St Helier, Jersey JE4 9WG, Channel Islands.

(4) Based on information reported on Schedule 13G and filed on February 14, 2019, Advent Private Equity Fund IV holds 23,416,685 Class A ordinary shares, Advent Industry LP holds 908,514 Class A ordinary shares and Advent Management IV Limited Partnership holds 234,110 Class A ordinary shares (together, the "Advent Funds"). Advent Venture Partners, LLP is the management company for the Advent Funds and may be deemed to beneficially own the Class A ordinary shares held by such funds. Leslie Gabb, Frederic Court, Shahrad Malik, Rajesh Parekh, Peter Bains and Michael Chalfen, as the partners of Advent Venture Partners, LLP, may be deemed to share beneficial ownership of the Class A ordinary shares held by the Advent Funds. The address of Advent Venture Partners LLP is, 27 Beak Street, London W1F 9RU, United Kingdom.

(5) Based on information reported on Schedule 13G filed on February 13, 2019, Farhold (Luxembourg) S.à r.l. holds 22,047,241 Class A ordinary shares. Farhold (Luxembourg) S.à r.l is wholly owned by Vitruvian II Luxembourg S.à r.l which is wholly owned by VIP II Nominees Limited in its capacity as nominee for various partnership funds (the "VIP II Funds"). Vitruvian Partners LLP is the general partner and investment manager of the VIP II Funds and is the sole shareholder of VIP II Nominees Limited and may be deemed to beneficially own the shares held by Farhold (Luxembourg) S.à r.l. The business address of Farhold (Luxembourg) S.à r.l is 1, rue Hildegard von Bingen, L-1282, Luxembourg.

(6) Based on information reported on Schedule 13G filed on February 13, 2019, Condé Nast International Ltd holds 13,545,660 Class A ordinary shares, Advance Magazine Publishers Inc. holds 647,090 Class A ordinary shares and CN Commerce Ltd. holds 645,660 Class A ordinary shares. Advance Publications, Inc. exercises voting and investment power over the Class A ordinary shares held by Condé Nast International Ltd, Advance Magazine Publishers Inc. and CN Commerce Ltd. and may be deemed to have beneficial ownership of these Class A ordinary shares. Advance Publications, Inc. is controlled by members of the Newhouse family. The business address for Advance Publications, Inc. is 1 World Trade Center, New York, New York 10007.

(7) Includes 42,858,080 Class B ordinary shares held by TGF Participations Limited, of which José Neves is the only named beneficiary. José Neves exercises voting and investment power over the Class B ordinary shares held by TGF Participations Limited and may be deemed to have beneficial ownership of all of these Class B ordinary shares. The business address of TGF Participations Limited is Grovenor House, 66-67 Athol Street, Douglas, Isle of Man IM1 1JE.

(8) Represents for Mr. Jordan 661,888 Class A ordinary shares underlying vested options and 71,347 restricted linked ordinary shares that are currently exercisable.
(9) Includes for Mr. Robb 237,252 restricted linked ordinary shares that are currently exercisable.

(10) Mr. Court holds no shares directly. Mr. Court is the founder and managing partner of Felix Capital, which manages funds that collectively own 580,180 Class A ordinary shares. Mr. Court is a General Partner at Advent Ventures, which manages funds that beneficially own Class A ordinary shares. See footnote 4 above.

(11) Includes for Mr. Kamaluddin 117,572 Class A ordinary shares underlying vested options and 327,818 restricted linked ordinary shares that are currently exercisable.

(12) Dr. Liao is an employee of JD.com but disclaims beneficial ownership of the shares beneficially owned by JD.com.

(13) Represents for Ms. Massenet (a) 150,000 Class A ordinary shares held directly, (b) 476,625 Class A ordinary shares underlying vested options and (c) 149,010 shares held by Imaginary Venture Capital Partners I, LP, over which Ms. Massenet has shared voting power.

(14) Mr. Newhouse holds no shares directly. Mr. Newhouse is Chairman of Condé Nast International. See footnote 6 above.

(15) Mr. Rimer holds no shares directly. Mr. Rimer is a partner within the Index Ventures group. Advisors within the Index Ventures group provide advice to the Index Funds. Mr. Rimer is involved in making recommendations to the Index Funds but does not hold voting or dispositive power over the Class A ordinary shares held by the Index Funds. See footnote 3 above.

(16) Mr. Risman holds no shares directly. Mr. Risman is the Managing Partner and founding member of Vitruvian Partners LLP, which manages funds that own Class A ordinary shares. See footnote 5 above.

(17) Includes 6,072,057 Class A ordinary shares underlying vested options and options that will vest within 60 days of January 31, 2019.

B. Related Party Transactions

The following is a description of our related party transactions since January 1, 2016.

Registration Rights Agreement

On July 21, 2017, we entered into a Registration Rights Agreement with Kadi Group, Condé Nast International Ltd, Advance Magazine Publishers Inc., CN Commerce Ltd, Index Ventures V (Jersey), L.P., Index Ventures V Parallel Entrepreneur Fund (Jersey), L.P., Yusca (Jersey) SLP, Farhold (Luxembourg) S.A.R.L., DST Global IV, L.P., Sebatik Investments Limited, TGF Participations Limited, Republic Technologies Pte td, Advent Private Equity Fund IV, Advent Industry L.P., Advent Management IV Limited Partnership, Newsight Investment Holdings I Ltd, Newsight Investment Holdings II Ltd and Legendre Holding 51 SAS, pursuant to which such investors have certain demand registration rights, short-form registration rights and piggyback registration rights in respect of any Class A ordinary shares and related indemnification rights from us, subject to customary restrictions and exceptions. All fees, costs and expenses of registrations, other than underwriting discounts and commissions, are expected to be borne by us.

Relationship with Kadi Group Holding Limited and JD.com

On June 21, 2017, Kadi Group completed a purchase of 6,834,172 Series G Preferred Shares of Farfetch.com for approximately $330.8 million and 1,366,834 shares of various classes from our shareholders that were re-designated into Series G Preferred Shares for approximately $66.2 million.

Kadi Group is a wholly owned subsidiary of JD.com. Mr. Liu, the Chairman and Chief Executive Officer and controlling shareholder of JD.com, previously served as one of our non-executive directors, and Dr. Liao is JD.com’s Chief Strategy Officer.

Forward Purchase Agreement

In connection with Kadi Group’s purchase of shares in Farfetch.com, Kadi Group and Farfetch.com entered into a forward purchase agreement, as amended, pursuant to which we agreed to issue and Kadi Group agreed to subscribe for one-third of such number of shares upon our initial public offering (at a price per share equal to the initial price per share in this offering) that would result in Kadi Group maintaining its percentage holding of our issued and outstanding share capital on a fully diluted basis immediately following this offering. Kadi Group may assign this right to purchase to any of its affiliates.
Payment Processing Agreement

On April 18, 2018, we entered into a Cross-Border Foreign Exchange Payment Agreement with Chinabank Payment Technology Co. Ltd. (“Chinabank Payment”) (the “Payment Processing Agreement”), pursuant to which Chinabank Payment provides cross-border payment collection services to Farfetch UK Limited on its Chinese e-commerce platforms of Farfetch.cn and Farfetch.com.cn. For providing such payment collection service, Chinabank Payment charges us a transaction fee. The Payment Processing Agreement has an initial term of 24 months and will automatically renew for successive 12-month terms unless either party has served a written notice 90 days prior to the other to terminate. The Payment Processing Agreement is terminable by either party if the other party breaches such agreement on at least five occasions in any three-month period.

Commitment Agreement

In connection with Kadi Group’s purchase of shares of Farfetch.com, Kadi Group and José Neves entered into a commitment agreement, as amended, pursuant to which Mr. Neves agreed to exercise all voting rights held directly or indirectly by him in favor of any shareholder resolution proposing to appoint Richard Liu as a director of the Company and to use all reasonable endeavors to seek commitment from certain other investors to support Mr. Liu remaining as a director of the Company. In February 2019, the parties amended and restated this commitment agreement to provide that Dr. Liao or another senior executive of JD.com designated by JD.com serve on our Board, provided that Dr. Liao or such other JD.com designee be recommended for such Board service by our nominating and corporate governance committee. The amended and restated commitment agreement is otherwise substantively similar to the original commitment agreement and provides that Mr. Neves will exercise all voting rights held by him in favor of any shareholder resolution proposing to appoint Dr. Liao as a director of the Company and to use all reasonable endeavors to seek commitment from certain other investors to support Dr. Liao remaining as a director of the Company. This obligation is conditional on JD.com holding no less than 33,658,328 Class A ordinary shares (subject to appropriate adjustment for any share split consolidation or similar event).

Asset Purchase Agreement and Merchant Agreement

On 26 February 2019, we entered into an Asset Purchase Agreement (the “APA”) with Shanghai Yuanmai Trading Co., Ltd. as the Seller and Beijing Jingdong Century Trade Co., Ltd. as the Guarantor, pursuant to which we agreed to purchase “Level 1 Access” to the JD.com app, Toplife customer data, certain intellectual property and certain fixed assets from the Seller in exchange for $50 million in cash. We are also responsible for certain costs associated with the Toplife business after deal closing, up to a cap of $3 million.

In connection with the purchase of the Toplife assets pursuant to the APA described above, on 26 February 2019, we also entered into a Merchant Agreement with JD.com International Limited (the “MA”), to create a flagship store operated by FF on the JD Haitun platform (a “FF JD Store”). JD.com International Limited has agreed to grant the FF JD Store “Level 1 Access” (i.e. a prominent position on the JD customer interface for specified categories of luxury goods) to the JD.com app with exposure to 3-4 million JD premium customers for a period of 4 years, subject to certain key performance indicators linked to gross value of sales.

Relationship with Condé Nast


Asset Purchase Agreement

On June 12, 2017, we entered into an asset purchase agreement (as amended, the “Asset Purchase Agreement”), pursuant to which we purchased certain assets of the Style.com business (the “Style.com Assets”) from Advance Magazine and CN Commerce, including trademarks, domain names and a customer database. The
consideration for the purchase of the Style.com Assets, which completed on June 13, 2017, was $12,411,000, which was satisfied by the issuance of shares in the capital of Farfetch.com at a price per share of $48.40. The Asset Purchase Agreement contains customary warranties in relation to the Style.com Assets from Advance Magazine and CN Commerce and an indemnity in our favor in respect of pre-completion liabilities with regards to the Style.com Assets and the business of Style.com.

**Collaboration Agreement**

In connection with the purchase of the Style.com Assets, we entered into a collaboration agreement with Advance Magazine dated June 13, 2017 (the “Collaboration Agreement”), to create a content-to-commerce solution by connecting Conde Nast, a provider of online and offline lifestyle content, to brands and retailers on the Farfetch Marketplace through an online affiliate program. Pursuant to the Collaboration Agreement, Advance Magazine provides us with certain services, including generation of promotional posts on social media networks and providing content for the purpose of referring customers to the Farfetch Marketplace. In consideration for such services, Advance Magazine earns a commission from the aggregate value of transactions concluded following the referral of a customer to the Farfetch Marketplace from any website run by Advance Magazine or its affiliate companies. The Collaboration Agreement has an initial term of five years.

**Commercial Agreements**

We currently have various commercial agreements with affiliate companies of Conde Nast in the ordinary course of our business, which are on customary terms and which enable us to advertise our business or gain further exposure through advertisements and content in publications produced by the Conde Nast group, such as Vogue magazine. These agreements are on arms’ length terms, for fixed short-term periods and/or one-off in nature.

**Relationship with Platforme International Limited**

Mr. Neves, the founder, Chief Executive Officer and a director of the Company, is also a director of, and holds a beneficial ownership interest in, Platforme International Limited (“Platforme”).

**E-Commerce Services Agreements**

In October 2015, we entered into a Farfetch Black & White e-commerce services agreement with Platforme for the development and hosting of the “Swear” branded website. Further, in the second quarter of 2017, we entered into several of our standard e-commerce services agreements with Platforme, pursuant to which we make available for sale, on the Farfetch Marketplace, products from each of Platforme’s “Swear,” “MySwear” and “B Store” businesses. The agreements have all been entered into on our standard terms.

**Relationship with ASAP54.com Limited**

Mr. Neves holds a beneficial ownership interest in ASAP54.com Limited (“ASAP54”). Daniela Cecilio, Mr. Neves’ wife, is also a director of and holds a beneficial ownership interest in ASAP54.

**Share Purchase Agreement**

On October 31, 2017, we entered into an agreement with ASAP54 for the purchase of the entire issued share capital of Fashion Concierge UK Limited (and its wholly owned subsidiary, Fashion Concierge, LDA), a company that runs an e-commerce solution, sourcing luxury items on behalf of Farfetch Private Client consumers (the “Share Purchase Agreement”). The consideration for the purchase was $2,183,000, which was satisfied through the issuance of shares of Farfetch.com at a price per share of $48.40. The Share Purchase Agreement contains customary warranties and indemnities in favor of Farfetch.
Relationship with Daniela Cecilio

**Consultancy Agreement**

Following the purchase of Fashion Concierge UK Limited, we entered into a consultancy agreement with Ms. Cecilio, founder of the Fashion Concierge business, on December 21, 2017 (the “DC Consultancy Agreement”). Pursuant to the DC Consultancy Agreement, Ms. Cecilio will provide consultancy services. The DC Consultancy Agreement had a fixed term of 12 months, and was ended in line with late agreement on November 9, 2018.

**Share Incentive Agreement**

Pursuant to the DC Consultancy Agreement, we entered into a share incentive agreement with Ms. Cecilio on January 15, 2018 (the “Share Incentive Agreement”), pursuant to which, Ms. Cecilio could earn up to 104,780 shares in the capital of Farfetch Limited.

Relationship with Natalie Massenet

Natalie Massenet is a shareholder and a member of our Board.

**Consultancy Agreement**

We entered into a consultancy agreement with Natalie Massenet effective as of August 1, 2018, (the “NM Consultancy Agreement”). Pursuant to the NM Consultancy Agreement, Ms. Massenet provides consultancy services in relation to assisting with overall strategy, innovation initiatives, being a brand ambassador at specific events and liaising with the Chief Executive Officer and Chief Commercial Officer with brands specific to our initiatives. For providing such services, Ms. Massenet is eligible to receive an annual retainer of $120,000 under the NM Consultancy Agreement. The NM Consultancy Agreement is terminable by either party upon three months’ notice.

Related Party Transaction Policy

Our Board has adopted a written related party transaction policy to set forth the policies and procedures for the review and approval or ratification of related person transactions. This policy covers, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we were or are to be a participant, where the amount involved exceeds $120,000 and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Consolidated Financial Statements


Legal and Arbitration Proceedings

From time to time, we may be involved in various claims and legal proceedings relating to claims arising out of our operations. We are not currently a party to any material legal proceedings (including any such proceedings that are pending or threatened of which we are aware).
Dividend Policy

We do not anticipate paying any cash dividends on our ordinary shares in the foreseeable future. We intend to retain all available funds and any future earnings to fund the development and expansion of our business. However, if we do pay a cash dividend on our ordinary shares in the future, we will pay such dividend out of our profits or share premium (subject to solvency requirements) as permitted under Cayman Islands law.

The amount of any future dividend payments we may make will depend on, among other factors, our strategy, future earnings, financial condition, cash flow, working capital requirements, capital expenditures and applicable provisions of our Articles. Any profits or share premium we declare as dividends will not be available to be reinvested in our operations.

Moreover, we are a holding company that does not conduct any business operations of our own. As a result, we are dependent upon cash dividends, distributions and other transfers from our subsidiaries to make dividend payments.

Any dividends we declare on our shares will be in respect of both our Class A ordinary shares and Class B ordinary shares and will be distributed such that a holder of one of our Class B ordinary shares will receive the same amount of the dividends that are received by a holder of one of our Class A ordinary shares. We will not declare any dividend with respect to the Class A ordinary shares without declaring a dividend on the Class B ordinary shares, and vice versa.

We have not paid dividends in the years ended December 31, 2016, 2017 and 2018.

B. Significant Changes

None.

Item 9. The Offer and Listing

A. Offer and Listing Details

Our Class A ordinary shares commenced trading on the NYSE on September 21, 2018. Prior to this, no public market existed for our Class A ordinary shares. Our Class B ordinary shares are not listed to trade on any securities market.

Price History of Stock

Ordinary shares listed on the New York Stock Exchange

Our shares were approved for listing on the NYSE on September 21, 2018. Prior to this listing, no public market existed for our ordinary shares.

B. Plan of Distribution

Not applicable.

C. Markets

Our Class A ordinary shares commenced trading on the NYSE on September 21, 2018 under the symbol “FTCH.”

D. Selling Shareholders

Not Applicable.
E. Dilution
Not applicable

F. Expenses of the Issue
Not applicable.

Item 10. Additional Information

A. Share Capital
Not applicable.

B. Memorandum and Articles of Association
A copy of our amended and restated memorandum and articles of association is attached as Exhibit 1.1 to this Annual Report. The information called for by this Item has been reported previously in our Registration Statement on Form F-1 (File No. 333-226929), filed with the SEC on August 20, 2018, as amended, under the heading “Description of Share Capital and Articles of Association,” and is incorporated by reference into this Annual Report.

C. Material Contracts
Except as otherwise disclosed in this Annual Report (including the Exhibits), we are not currently, nor have we been for the past two years, party to any material contract, other than contracts entered into in the ordinary course of business.

D. Exchange Controls
There are no Cayman Islands exchange control regulations that would affect the import or export of capital or the remittance of dividends, interest or other payments to non-resident holders of our shares.

E. Taxation
The following summary contains a description of certain Cayman Islands, UK and U.S. federal income tax consequences of the acquisition, ownership and disposition of Class A ordinary shares. The summary is based upon the tax laws of the Cayman Islands and regulations thereunder, on the tax laws of the United Kingdom and the regulations thereunder, and on the tax laws of the United States and regulations thereunder as of the date hereof, which are subject to change.

Cayman Islands Tax Considerations
The following discussion is a summary of the material Cayman Islands tax considerations relating to the purchase, ownership and disposition of our Class A ordinary shares. There is, at present, no direct taxation from the Government of the Cayman Islands to the effect that, for a period of thirty years from the date of the undertaking, no law that thereafter is enacted in the Cayman Islands imposing any tax or duty to be levied on profits, income or gains or appreciation, or any tax in the nature of estate duty or inheritance tax, will apply to any property comprised in or any income arising under the Company, or to the shareholders thereof, in respect of any such property or income.

No stamp duty in the Cayman Islands is payable in respect of the issue of any Class A ordinary shares or an instrument of transfer in respect of a Class A ordinary share.
United Kingdom Tax Considerations

The following discussion is a summary of the material United Kingdom tax considerations relating to the purchase, ownership and disposition of our Class A ordinary shares.

The following statements are of a general nature and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding and disposing of Class A ordinary shares. They are based on current UK tax law and on the current published practice of Her Majesty’s Revenue and Customs (“HMRC”) (which may not be binding on HMRC), as of the date of this Annual Report, all of which are subject to change, possibly with retrospective effect. They are intended to address only certain UK tax consequences for holders of Class A ordinary shares who are tax resident in (and only in) the UK, and in the case of individuals, domiciled in (and only in) the UK (except where expressly stated otherwise) who are the absolute beneficial owners of the Class A ordinary shares and any dividends paid on them and who hold the Class A ordinary shares as investments (other than in an individual savings account or a self-invested personal pension). They do not address the UK tax consequences which may be relevant to certain classes of holders of Class A ordinary shares such as traders, brokers, dealers, banks, financial institutions, insurance companies, investment companies, collective investment schemes, tax-exempt organizations, trustees, persons connected with us or our group, persons holding their Class A ordinary shares as part of hedging or conversion transactions, holders of Class A ordinary shares who have (or are deemed to have) acquired their Class A ordinary shares by virtue of an office or employment, and holders of Class A ordinary shares who are or have been our officers or employees or a company forming part of our group. The statements do not apply to any holder of Class A ordinary shares who either directly or indirectly holds or controls 10% or more of our share capital (or class thereof), voting power or profits.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular prospective subscriber for, or purchaser of, Class A ordinary shares. Accordingly, prospective subscribers for, or purchasers of, Class A ordinary shares who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of Class A ordinary shares or who are subject to tax in a jurisdiction other than the UK should consult their own tax advisers.

The Company

It is the intention of the directors to conduct our affairs so that our central management and control is exercised in the UK. As a result, we are expected to be treated as resident in the UK for UK tax purposes. Accordingly, we expect to be subject to UK taxation on our income and gains, except where an exemption applies.

Taxation of Dividends

Withholding Tax

We will not be required to withhold UK tax at source when paying dividends. The amount of any liability to UK tax on dividends paid by us will depend on the individual circumstances of a holder of Class A ordinary shares.

Income Tax

An individual holder of Class A ordinary shares who is resident for tax purposes in the UK may, depending on his or her particular circumstances, be subject to UK tax on dividends received from the Company. Dividend income is treated as the top slice of the total income chargeable to UK income tax. An individual holder of Class A ordinary shares who is not resident for tax purposes in the UK should not be chargeable to UK income tax on dividends received from us unless he or she carries on (whether solely or in partnership) any trade, profession or vocation in the UK through a branch or agency to which the Class A ordinary shares are attributable. There are certain exceptions for trading in the UK through independent agents, such as some brokers and investment managers.

All dividends received by a UK resident individual holder of Class A ordinary shares from us or from other sources will form part of the holder’s total income for income tax purposes and will constitute the top slice of that income. A nil rate of income tax will apply to the first £2,000 of taxable dividend income received by the holder of
Class A ordinary shares in a tax year. Income within the nil rate band will be taken into account in determining whether income in excess of the nil rate band falls within the basic rate, higher rate or additional rate tax bands. Where the dividend income is above the £2,000 dividend allowance, the first £2,000 of the dividend income will be charged at the nil rate and any excess amount will be taxed at 7.5% to the extent that the excess amount falls within the basic rate tax band, 32.5% to the extent that the excess amount falls within the higher rate tax band and 38.1% to the extent that the excess amount falls within the additional rate tax band.

**Corporation Tax**

Corporate holders of Class A ordinary shares which are resident for tax purposes in the UK should not be subject to UK corporation tax on any dividend received from us so long as the dividends qualify for exemption (as is likely) and certain conditions are met (including anti-avoidance conditions). Corporate holders of Class A ordinary shares who are not resident in the UK will not generally be subject to UK corporation tax on dividends unless they are carrying on a trade, profession or vocation in the UK through a permanent establishment in connection with which the Class A ordinary shares are used, held, or acquired.

A holder of Class A ordinary share who is resident outside the UK may be subject to non-UK taxation on dividend income under local law.

**Taxation of Capital Gains**

**UK Resident Holders of Class A Ordinary Shares**

A disposal or deemed disposal of Class A ordinary shares by an individual or corporate holder of Class A ordinary shares who is tax resident in the UK may, depending on the holder’s circumstances and subject to any available exemptions or reliefs, give rise to a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains.

Any chargeable gain (or allowable loss) will generally be calculated by reference to the consideration received for the disposal of Class A ordinary shares less the allowable cost to the holder of acquiring such Class A ordinary shares.

The applicable tax rates for individual holders of Class A ordinary shares realizing a gain on the disposal of Class A ordinary shares is, broadly, 10% for basic rate taxpayers and 20% for higher and additional rate taxpayers.

**Non-UK Resident Holders of Class A Ordinary Shares**

Holders of Class A ordinary shares who are not resident in the UK and, in the case of an individual holder, not temporarily non-resident, should not be liable for UK tax on capital gains realized on a sale or other disposal of Class A ordinary shares unless (i) such shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or, in the case of a corporate holder, through a permanent establishment or (ii) based on current draft legislation, in respect of disposals made on or after April 6, 2019, the Company derives 75% or more of its gross value from UK land. Holders of Class A ordinary shares who are not resident in the UK may be subject to non-UK taxation on any gain under local law.

Generally, an individual holder of Class A ordinary shares who has ceased to be resident in the UK for tax purposes for a period of five years or less and who disposes of Class A ordinary shares during that period may be liable on their return to the UK to UK taxation on any capital gain realized (subject to any available exemption or relief).

**UK Stamp Duty (“stamp duty”) and UK Stamp Duty Reserve Tax (“SDRT”)**

The following statements are intended as a general guide to the current position relating to stamp duty and SDRT and apply to any holders of Class A ordinary shares irrespective of their place of tax residence.

No stamp duty will be payable on the issue of Class A ordinary shares.
Stamp duty will in principle be payable on any instrument of transfer of Class A ordinary shares that is executed in the UK or that relates to any property situated, or to any matter or thing done or to be done, in the UK. An exemption from stamp duty is available on an instrument transferring Class A ordinary shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000. Holders of Class A ordinary shares should be aware that, even where an instrument of transfer is in principle subject to stamp duty, stamp duty is not required to be paid unless it is necessary to rely on the instrument for legal purposes, for example to register a change of ownership or in litigation in a UK court.

Provided that Class A ordinary shares are not registered in any register maintained in the UK by or on behalf of us and are not paired with any shares issued by a UK incorporated company, the issue or transfer of (or agreement to transfer) Class A ordinary shares will not be subject to SDRT. We currently do not intend that any register of Class A ordinary shares will be maintained in the UK.

U.S. Federal Income Tax Considerations

The following general summary describes the material U.S. federal income tax consequences to U.S. Holders (defined below) of owning and disposing of our Class A ordinary shares. It does not purport to be a comprehensive discussion of all the tax considerations relevant to U.S. Holders.

The discussion below applies only to U.S. Holders that hold the Class A ordinary shares as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) (generally, property held for investment). The discussion below is based on the Code, existing and, in some cases, proposed U.S. Treasury Regulations, as well as judicial and administrative interpretations thereof, all as of the date of this Annual Report. All of the foregoing authorities are subject to change or differing interpretation, which change or differing interpretation could apply retroactively and could affect the tax consequences described below. This summary does not address any alternative minimum tax considerations, any estate or gift tax consequences or any state, local, or non-U.S. tax consequences, nor does it address the Medicare contribution tax on net investment income.

The following discussion does not address the tax consequences to any particular investor and does not describe all of the tax consequences to persons in special tax situations such as, but not limited to:

- banks;
- financial institutions;
- regulated investment companies;
- real estate investment trusts;
- insurance companies;
- broker-dealers;
- traders that elect to use a mark to market method of accounting;
- tax-exempt entities (including private foundations);
- qualified retirement plans, individual retirement accounts and other tax-deferred accounts;
- U.S. tax expatriates and certain former citizens and long-term residents of the United States;
- persons holding Class A ordinary shares as part of a straddle, hedging, constructive sale, conversion or integrated transaction;
- persons that directly, indirectly, or constructively own 10% or more of the total voting power or value of all of the Company’s outstanding stock;
• persons that are resident or ordinarily resident in or have a permanent establishment in a jurisdiction outside the United States;
• persons who acquired Class A ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation;
• persons subject to special tax accounting rules as a result of any item of gross income with respect to the Class A ordinary shares being taken into account in an applicable financial statement;
• persons holding Class A ordinary shares through partnerships or other pass-through entities; or
• U.S. Holders whose “functional currency” is not the U.S. dollar.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR CLASS A ORDINARY SHARES.

The discussion below of the U.S. federal income tax consequences to “U.S. Holders” applies to a holder that is a beneficial owner of the Class A ordinary shares and is, for U.S. federal income tax purposes,

• an individual who is a citizen or resident of the United States as determined under U.S. federal income tax rules
• a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any State or the District of Columbia;
• an estate whose income is subject to U.S. federal income taxation regardless of its source; or
• a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

The tax treatment of an entity or arrangement taxable as a partnership for U.S. federal income tax purposes that holds Class A ordinary shares generally will depend on such partner’s status and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes, or partners in such partnerships, should consult their tax advisers concerning the U.S. federal income tax consequences to them and of the acquisition, ownership and disposition of Class A ordinary shares by the partnership.

Dividends

Subject to the passive foreign investment company (“PFIC”) rules discussed below, the gross amount of distributions made by us with respect to the Class A ordinary shares generally will be includable in a U.S. Holder’s gross income as foreign-source dividend income in the year actually or constructively received by such U.S. Holder, but only to the extent that such distributions are paid out of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. Distributions to a U.S. Holder in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s basis in the Class A ordinary shares and thereafter as capital gain. In the event we make distributions to U.S. Holders of ordinary shares, we may or may not calculate our earnings and profits under U.S. federal income tax principles. If we do not do so, any distribution may be required to be regarded as a dividend, even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain. U.S. Holders should therefore assume that all cash distributions will be reported as ordinary dividend income. The amount of any distribution of property other than cash will be the fair market value of that property on the date of distribution. U.S. Holders should consult their own tax advisors to determine whether and to what extent they will be entitled to foreign tax credits in respect of any dividend income received.
With respect to non-corporate U.S. Holders (including individuals, estates, and trusts), dividends received with respect to our Class A ordinary shares may be considered “qualified dividend income” subject to lower capital gains rates, provided that (1) the Class A ordinary shares are readily tradable on an established securities market in the United States, (2) we are not a PFIC (as discussed below) for either our taxable year in which the dividend was paid or the preceding taxable year and (3) certain holding period requirements are met. In this regard, the Class A ordinary shares will generally be considered to be readily tradable on an established securities market in the United States if they are listed on the NYSE, as we intend the Class A ordinary shares will be. U.S. Holders should consult their own tax advisors regarding the availability of the lower rate for the dividends paid with respect to the Class A ordinary shares.

Dividends paid by us with respect to the Class A ordinary shares will generally constitute foreign-source “passive category income” and will not be eligible for the dividends-received deduction generally allowed to corporate U.S. Holders in respect of dividends received from U.S. corporations.

Sale or Other Disposition of Shares

Subject to the PFIC rules discussed below, upon a sale or other disposition of the Class A ordinary shares, a U.S. Holder generally will recognize a capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized and the U.S. Holder’s adjusted tax basis in such Class A ordinary shares. A U.S. Holder’s adjusted tax basis in shares generally will be such U.S. Holder’s purchase price for the shares, unless we make distributions in excess of its current and accumulated earnings and profits. Any such gain or loss generally will be U.S.-source gain or loss and will be treated as long-term capital gain or loss if the U.S. Holder’s holding period in the Class A ordinary shares exceeds one year. Non-corporate U.S. Holders (including individuals) generally will be subject to U.S. federal income tax on long-term capital gain at preferential rates. The deductibility of capital losses is subject to significant limitations.

Passive Foreign Investment Company

We will be classified as a PFIC within the meaning of Section 1297 of the Code, for any taxable year if either: (1) at least 75% of the gross income of the Company is “passive income” for purposes of the PFIC rules or (2) at least 50% of the value of our assets (determined on the basis of a quarterly average) produce or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. For this purpose, we will be treated as owning the proportionate share of the assets, and earning the proportionate share of the income, of any other corporation in which we own, directly or indirectly, 25% or more measured by value of the stock. Under the PFIC rules, if we were considered a PFIC at any time that a U.S. Holder holds Class A ordinary shares, we would continue to be treated as a PFIC with respect to such holder’s investment unless (1) the Company ceases to be a PFIC and (2) the U.S. Holder has made a “deemed sale” election under the PFIC rules.

Based on the currently anticipated market capitalization and composition of our income, assets, and operations, the Company does not expect to be treated as a PFIC for U.S. federal income tax purposes for the taxable year that ended on December 31, 2018 or in the foreseeable future. However, the market capitalization and the expected income, assets and operations in the future could be significantly different from what is currently anticipated. In addition, the PFIC determination must be made annually after the close of each taxable year. Therefore there can be no assurance that we will not be classified as a PFIC for the current taxable year or for any future taxable year.

If we are considered a PFIC for any taxable year that a U.S. Holder holds Class A ordinary shares, any gain recognized by the U.S. Holder on a sale or other disposition of the Class A ordinary shares, as well as the amount of any “excess distribution” (defined below) received by the U.S. Holder, would be allocated ratably over the U.S. Holder’s holding period for the Class A ordinary shares. The amounts allocated to the taxable year of the sale or other disposition (or the taxable year of receipt, in the case of an excess distribution) and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the amount allocated to that taxable year. For the purposes of these rules, an excess distribution is the amount by which any distribution received by a U.S. Holder on its Class A ordinary shares
exceeds 125% of the average of the annual distributions on the Class A ordinary shares received during the preceding three years or the U.S. Holder’s holding period, whichever is shorter. Additionally, dividends paid by us would not be eligible for the reduced rate of tax described above under “—Dividends” if we are a PFIC in its taxable year in which the dividend is paid or the immediately preceding taxable year.

If we are treated as a PFIC with respect to a U.S. Holder for any taxable year, certain elections may be available to the U.S. Holder that would result in alternative treatments, such as mark-to-market treatment or treatment as a qualified electing fund (“QEF”), of the Class A ordinary shares. However, we cannot provide any assurances that we will assist investors in determining whether we or any of our non-U.S. subsidiaries are a PFIC for any taxable year, nor do we expect that we will prepare or provide to U.S. Holders a “PFIC annual information statement,” which would enable a U.S. Holder to make a QEF election.

If we are treated as a PFIC with respect to a U.S. Holder for any taxable year, the U.S. Holder will be deemed to own shares in any of our subsidiaries that are also PFICs and generally be subject to the treatment described above with respect to any distribution on or disposition of such shares. An election for mark-to-market treatment, however, would likely not be available with respect to any such subsidiaries.

If we are considered a PFIC, a U.S. Holder will also be subject to information reporting requirements on an annual basis. U.S. Holders should consult their own tax advisors about the potential application of the PFIC rules to an investment in the Class A ordinary shares.

U.S. Information Reporting and Backup Withholding

Dividend payments with respect to the Class A ordinary shares and proceeds from the sale or other disposition of the Class A ordinary shares may be subject to information reporting to the IRS. In addition, a U.S. Holder (other than exempt U.S. Holders who establish their exempt status, if required) may be subject to backup withholding, currently at a 24% rate, on dividend payments and proceeds from the sale or other taxable disposition of Class A ordinary shares made within the United States or through certain U.S.-related financial intermediaries.

Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status may be required to provide such certification on IRS Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder’s U.S. federal income tax liability, and such holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

Information Reporting by U.S. Holders

Certain U.S. Holders who are individuals and certain entities holding specified foreign financial assets, including our Class A ordinary shares, with an aggregate value in excess of the applicable dollar threshold, may be required to report information relating to the Class A ordinary shares, subject to certain exceptions (including an exception for Class A ordinary shares held in accounts maintained by certain U.S. financial institutions), for each year in which they hold such shares. U.S. Holders should consult their tax advisors regarding their reporting obligations with respect to their ownership and disposition of the Class A ordinary shares.

FATCA

Provisions under Sections 1471 through 1474 of the Code and applicable U.S. Treasury Regulations commonly referred to as “FATCA” generally impose 30% withholding on certain “withholdable payments” and, subject to the proposed regulations discussed below, may impose such withholding on “foreign passthrough payments” made by a “foreign financial institution” (each as defined in the Code) that has entered into an agreement with the U.S. Internal Revenue Service to perform certain diligence and reporting obligations with respect to the foreign
financial institution’s U.S.-owned accounts. Under recently proposed regulations, any withholding on foreign passthru payments would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Although these recent regulations are not final, taxpayers generally may rely on them until final regulations are issued.

The United States has entered into an intergovernmental agreement (“IGA”) with the Cayman Islands, which modifies the FATCA withholding regime described above. It is not yet clear how foreign passthru payments will be addressed under FATCA. The Company could be subject to these diligence, reporting and withholding obligations if it were treated as a financial institution under FATCA or the Cayman IGA. Prospective investors should consult their tax advisors regarding the potential impact of FATCA, the Cayman IGA and any non-U.S. legislation implementing FATCA, on their investment in the Class A ordinary shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO YOU. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN CLASS A ORDINARY SHARES UNDER THE INVESTOR’S OWN CIRCUMSTANCES.

F. Dividends and Paying Agents
Not applicable

G. Statement by Experts
Not applicable.

H. Documents on Display
We are required to make certain filings with the SEC. The SEC maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that site is www.sec.gov.

We also make available on our website, free of charge, our annual reports on Form 20-F and the text of our reports on Form 6-K, including any amendments to these reports, as well as certain other SEC filings, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is www.farfetchinvestors.com. The information contained on our website is not incorporated by reference in this document.

I. Subsidiary Information
Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Market Risk
Our operations are exposed to a variety of financial risks that include foreign exchange and liquidity risk. We review and agree policies for managing these risks, which are then implemented by our finance department. Please refer to note 28 to our audited consolidated financial statements for the years ended 31 December 2018 and 2017 included elsewhere in this Annual Report for a fuller quantitative and qualitative discussion on the market risks to which we are subject and our policies with respect to managing those risks. The policies are summarized below:

The Group’s activities expose it primarily to the financial risk of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk.

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.
The Group uses forward currency contracts to hedge its foreign currency risks. Where the criteria for hedge accounting are not met, derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value with movements recorded to the statement of operations. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Where all relevant criteria are met, hedge accounting is applied to minimize earnings volatility.

**Liquidity risk**

The Group monitors its liquidity risk to maintain a balance between continuity of funding and flexibility. This helps the Group achieve timely fulfilment of its obligations while sustaining the growth of the business.

**Item 12. Description of Securities Other than Equity Securities**

Not applicable.
Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

On September 20, 2018, in connection with our IPO, we amended and restated our memorandum and articles of association. A copy of our amended and restated memorandum and articles of association is being filed as Exhibit 1.1 to this Annual Report. See Item 10. “Additional Information—B. Memorandum and Articles of Association.”

Use of Proceeds

On September 25, 2018, we completed an IPO of our Class A ordinary shares, in which we sold at an initial public offering price of $20.00 per share, 40,246,453 Class A ordinary shares (including 6,636,562 Class A ordinary shares that were subject to the underwriters’ option to purchase additional shares), and the selling shareholders sold 10,633,858 Class A ordinary shares (including 6,636,562 Class A ordinary shares that were subject to the underwriters’ option to purchase additional shares). The shares offered and sold in the IPO were registered under the Securities Act pursuant to our Registration Statement on Form F 1 (File No. 333 2226929), which was declared effective by the SEC on September 20, 2018.

The offering did not terminate until after the sale of all 50,880,311 Class A ordinary shares registered on the registration statement. The aggregate offering price for the shares registered and sold was approximately $1,017.6 million. Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Allen & Company LLC and UBS Securities LLC acted as representatives of the several underwriters.

The IPO generated proceeds to us of approximately $758.6 million, net of underwriting discounts and commissions of approximately $46.3 million and other offering expenses of approximately $11.9 million. The IPO generated proceeds to the selling stockholders of approximately $200.4 million, net of underwriting discounts and commissions of approximately $12.2 million. We paid out of Company proceeds all of our and the selling shareholders’ fees, costs and expenses in connection with the IPO (excluding, in the case of the selling shareholders, underwriting discounts and commissions and similar brokers’ fees and transfer taxes).

No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates), persons owning 10% or more of our ordinary shares or any other affiliates.

There has been no material change in the expected use of the net proceeds from our IPO as described in our final prospectus filed with the SEC on September 24, 2018 pursuant to Rule 424(b).

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”)) that are designed to ensure that information required to be disclosed in the Company’s reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2018. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as a result of the material weaknesses in our internal control over financial reporting described below, the design and operation of our disclosure controls and procedures were not effective, as of December 31, 2018.
Management's Annual Report on Internal Control over Financial Reporting

This Annual Report does not include a report of management’s assessment regarding internal control over financial reporting due to a transition period established by rules of the SEC for newly public companies. This Annual Report also does not include an attestation report of our independent registered public accounting firm due to a transition period established by rules of the SEC for newly public companies. Additionally, our independent registered public accounting firm will not be required to opine on the effectiveness of our internal control over financial reporting until we are no longer an emerging growth company.

Changes in Internal Control over Financial Reporting

Except as described below, there were no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) that occurred during the period covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Ongoing Remediation of Material Weakness in Internal Control over Financial Reporting

As previously disclosed in our Registration Statement on Form F-1 (File No. 333-226929), which was declared effective by the SEC on September 20, 2018, we identified certain control deficiencies in the design and operation of our internal control over financial reporting in connection with our 2017 audit that constituted material weaknesses. The control deficiencies resulted from (1) our technology access and change control environment not supporting an efficient or effective internal control framework and (2) reliance on manual processes.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim consolidated financial statements may not be prevented or detected on a timely basis.

Based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission we have implemented and continue to implement control procedures to strengthen our internal control over financial reporting. Specifically, we have revised and continue to revise information technology controls covering identity service, change and audit management together with the automation of a number of previously manual processes. In addition, we have hired and will continue to hire additional accounting, finance and technology personnel.

Although we have made enhancements to our control procedures in this area, the material weaknesses will not be remediated until the necessary controls have been fully implemented and operating effectively. See Item 3. “Key Information – D. Risk Factors — Risks Related to Ownership of our Class A Ordinary Shares — As a public reporting company, we are subject to rules and regulations established from time to time by the SEC regarding our internal control over financial reporting. If we fail to put in place appropriate and effective internal controls over financial reporting and disclosure controls and procedures, we may not be able to accurately report our financial results, or report them in a timely manner, which may adversely affect investor confidence in us and, as a result, the value of our Class A ordinary shares .”

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

Our Board has determined that Mr. Kamaluddin, Ms. Evan and Mr. Risman each satisfy the “independence” requirements set forth in Rule 10A-3 under the Exchange Act. Our board of directors has also determined that each of Mr. Kamaluddin, Ms. Evan and Mr. Risman is considered an “audit committee financial expert” as defined in Item 16A of Form 20-F under the Exchange Act.

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Item 16B. Code of Ethics

We have adopted a Code of Conduct that applies to all our employees, officers and directors, including our principal executive, principal financial and principal accounting officers. Our Code of Conduct addresses, among other things, competition and fair dealing, conflicts of interest, financial matters and external reporting, company funds and assets, confidentiality and corporate opportunity requirements and the process for reporting violations of the Code of Conduct, employee misconduct, conflicts of interest or other violations. Our Code of Conduct and Ethics is intended to meet the definition of "code of ethics" under Item 16B of 20-F under the Exchange Act.

We intend to disclose on our website any amendment to, or waiver from, a provision of our Code of Conduct that applies to our directors or executive officers to the extent required under the rules of the SEC or the NYSE. Our Code of Conduct is available on our website at www.farfetchinvestors.com. The information contained on our website is not incorporated by reference in this Annual Report.

Item 16C. Principal Accounting Fees and Services

PricewaterhouseCoopers LLP ("PwC") acted as our independent auditor for the fiscal years ended December 31, 2018, 2017 and 2016. The table below sets out the total amount billed to us by PwC, for services performed in the years ended December 31, 2018, 2017 and 2016, and breaks down these amounts by category of service:

<table>
<thead>
<tr>
<th>Category</th>
<th>2016 $'000</th>
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<th>2018 $'000</th>
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<tbody>
<tr>
<td>Audit Fees</td>
<td>253</td>
<td>437</td>
<td>1,028</td>
</tr>
<tr>
<td>Audit Related Fees</td>
<td>-</td>
<td>575</td>
<td>886</td>
</tr>
<tr>
<td>Tax Fees</td>
<td>107</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>All Other Fees</td>
<td>51</td>
<td>73</td>
<td>232</td>
</tr>
<tr>
<td>Total</td>
<td>411</td>
<td>1,095</td>
<td>2,152</td>
</tr>
</tbody>
</table>

Audit Fees

Audit fees for the years ended December 31, 2018, 2017 and 2016 were related to the audit of our consolidated and subsidiary financial statements and other audit or interim review services provided in connection with statutory and regulatory filings or engagements.

Audit Related Fees

Audit related fees for the years ended December 31, 2017 and 2018 relate to services in connection with our IPO transaction.

Tax Fees

Tax fees for the years ended December 31, 2018, 2017 and 2016 were related to tax compliance and tax planning services.

All Other Fees

All other fees in the years ended December 31, 2018, 2017 and 2016 related to services in connection with non-audit compliance and review work.

Pre-Approval Policies and Procedures

The advance approval of the Audit Committee or members thereof, to whom approval authority has been delegated, is required for all audit and non-audit services provided by our auditors.

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All services provided by our auditors are approved in advance by either the Audit Committee or members thereof, to whom authority has been delegated, in accordance with the Audit Committee's pre-approval policy.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

**Item 16F. Change in Registrant’s Certifying Accountant**

None.

**Item 16G. Corporate Governance**

Our Class A ordinary shares are listed on the NYSE. We believe the following to be the significant differences between our corporate governance practices and those applicable to U.S. companies under the NYSE listing standards. In general, under the NYSE, foreign private issuers, as defined under the Exchange Act, are permitted to follow home country corporate governance practices instead of the corporate governance practices of the New York Stock Exchange. Accordingly, we follow certain corporate governance practices of our home country, the Cayman Islands, in lieu of certain of the corporate governance requirements of the NYSE.

We are a “foreign private issuer” (as such term is defined in Rule 3b–4 under the Exchange Act), and our Class A ordinary shares are listed on the NYSE. Under the NYSE rules, NYSE listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the NYSE with limited exceptions. In addition, under the NYSE rules, listed companies of which more than 50% of the voting power for the election of directors is held by an individual, group or other entity are not required to have a majority of independent directors, as defined by NYSE rules, or to comply with certain other requirements. Because Mr. Neves beneficially owns more than 50% of the voting power of the Company, the Company is a “controlled company” within the meaning of the rules of the NYSE.

Under the NYSE rules, U.S. domestic listed, non-controlled companies are required to have a majority independent board, which is not required under the Companies Law of the Cayman Islands, our home country. In addition, the NYSE rules require U.S. domestic listed, non-controlled companies to have a compensation committee and a nominating and corporate governance committee, each composed entirely of independent directors, which are not required under our home country laws.

We currently follow and intend to continue to follow the foregoing governance practices and not avail ourselves of the exemptions afforded to foreign private issuers or controlled companies under the NYSE rules. We may in the future, however, decide to use other foreign private issuer exemptions with respect to some or all of the other NYSE listing requirements. Following our home country governance practices may provide less protection than is accorded to investors under the NYSE listing requirements applicable to domestic issuers.

The NYSE rules also require shareholder approval for certain matters, such the opportunity to vote on equity compensation plans and material revisions to those plans, which is not required under the Cayman Islands law. We intend to follow home country law in determining whether shareholder approval is required.

**Item 16H. Mine Safety Disclosure**

Not applicable.
Item 17. Financial Statements

We have provided financial statements pursuant to Item 18.

Item 18. Financial Statements

The audited consolidated financial statements as required under Item 18 are attached hereto starting on page F-1 of this Annual Report. The audit report of PricewaterhouseCoopers LLP, independent registered public accounting firm, is included herein preceding the audited consolidated financial statements.
List all exhibits filed as part of the registration statement or annual report, including exhibits incorporated by reference.

<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Form of Amended and Restated Memorandum and Articles of Association of the Registrant as currently in effect (incorporated by reference to Exhibit 3.1 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).</td>
</tr>
<tr>
<td>2.1</td>
<td>Registration Rights Agreement, dated as of July 21, 2017 by and among Farfetch.com Limited and certain shareholders of Farfetch.com Limited (incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).</td>
</tr>
<tr>
<td>2.2</td>
<td>Deed of Amendment related to the Commitment Agreement, dated as of August 8, 2018 by and among Kadi Group Holding Limited, José Neves and TGF Participations Limited (incorporated by reference to Exhibit 4.2 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).</td>
</tr>
<tr>
<td>2.3</td>
<td>Form of Class A Ordinary Share Certificate (incorporated by reference to Exhibit 4.3 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).</td>
</tr>
<tr>
<td>4.1</td>
<td>Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).†</td>
</tr>
<tr>
<td>4.2</td>
<td>Amended and Restated Rules of the Farfetch.com Limited Enterprise Management Incentive Scheme, adopted July 17, 2013 (incorporated by reference to Exhibit 10.2 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).†</td>
</tr>
<tr>
<td>4.3</td>
<td>Rules of the Farfetch.com Limited Share Option Scheme, adopted July 18, 2013 (incorporated by reference to Exhibit 10.3 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).†</td>
</tr>
<tr>
<td>4.4</td>
<td>Farfetch.com Limited 2015 Long-Term Incentive Plan, adopted February 13, 2015 (incorporated by reference to Exhibit 10.4 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).†</td>
</tr>
<tr>
<td>4.5</td>
<td>Asset Purchase Agreement, dated as of June 12, 2017, among Farfetch.com Limited, Farfetch UK Limited, Advance Magazine Publishers Inc. and CN Commerce Ltd. (incorporated by reference to Exhibit 10.5 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).</td>
</tr>
<tr>
<td>4.6</td>
<td>Collaboration Agreement, dated as of June 13, 2017, between Farfetch.com Limited, Farfetch UK Limited and Advance Magazine Publishers Inc. (incorporated by reference to Exhibit 10.6 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).</td>
</tr>
<tr>
<td>4.7</td>
<td>Side Letter to the Asset Purchase Agreement, dated as of July 7, 2017, between Farfetch.com Limited, Farfetch UK Limited, Advance Magazine Publishers Inc. and CN Commerce Ltd. (incorporated by reference to Exhibit 10.7 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).</td>
</tr>
<tr>
<td>4.8</td>
<td>Share Purchase Agreement, dated as of October 31, 2017, between Farfetch UK Limited, ASAP54.com Limited and Daniela Cecilio (incorporated by reference to Exhibit 10.8 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).</td>
</tr>
<tr>
<td>4.9</td>
<td>Consultancy Agreement, dated as of December 21, 2017, between Farfetch Limited UK, DCN Consultancy Services Limited and Daniela Cecilio (incorporated by reference to Exhibit 10.9 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).</td>
</tr>
</tbody>
</table>
Exhibit No. | Description
--- | ---
4.10 | Payment Processing Agreement, dated as of April 18, 2018, between Chinabank Payment Technology Co. Ltd. and Farfetch UK Limited (incorporated by reference to Exhibit 10.10 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).
4.11 | Amended and Restated Forward Purchase Agreement, dated as of August 8, 2018, between Farfetch.com Limited and Kadi Group Holding Limited (incorporated by reference to Exhibit 10.11 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).
4.12 | Consultancy Agreement, dated August 15, 2018, between Farfetch UK Limited and Natalie Massenet (incorporated by reference to Exhibit 10.12 to the Company’s Registration Statement on Form F-1 (File No. 333-226929) filed with the SEC on August 20, 2018).†
4.13 | Form of 2018 Farfetch Employee Equity Plan (incorporated by reference to Exhibit 4.6 to the Company’s Registration Statement on Form S-8 (Filed No. 333-227536) filed with the SEC on September 26, 2018).†
4.14 | Acquisition Agreement, dated as of December 12, 2018 between Stadium Goods and Farfetch Limited.
4.15 | Amended and Restated Commitment Agreement, dated as of February 27, 2019 between Kadi Group Holding Limited and José Neves.
8.1 | List of subsidiaries.
12.1 | Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2 | Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1 | Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2 | Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1 | Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
101.INS | XBRL Instance Document.
101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF | XBRL Taxonomy Definition Linkbase Document.
101.LAB | XBRL Taxonomy Extension Label Linkbase Document.
101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document.

† This document has been identified as a management contract or compensatory plan or arrangement.

Certain agreements filed as exhibits to this report contain representations and warranties that the parties thereto made to each other. These representations and warranties have been made solely for the benefit of the other parties to such agreements and may have been qualified by certain information that has been disclosed to the other parties to such agreements and that may not be reflected in such agreements. In addition, these representations and warranties may be intended as a way of allocating risks among parties if the statements contained therein prove to be incorrect, rather than as actual statements of fact. Accordingly, there can be no reliance on any such representations and warranties as characterizations of the actual state of facts. Moreover, information concerning the subject matter of any such representations and warranties may have changed since the date of such agreements.
The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Farfetch Limited

By: /s/ José Neves

José Neves
Chief Executive Officer
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Consolidated statements of operations for the years ended December 31, 2018, 2017 and 2016

Consolidated statements of comprehensive loss for the years ended December 31, 2018, 2017 and 2016

Consolidated statements of financial position as of December 31, 2018, 2017 and 2016

Consolidated statements of changes in equity for the years ended December 31, 2018, 2017 and 2016

Consolidated statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Farfetch Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Farfetch Limited and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
London, United Kingdom
March 1, 2019

We have served as the Company's auditor since 2015.

F-1
Consolidated statements of operations
for the year ended December 31,
(in $ thousands, except share and per share data)

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4</td>
<td>242,116</td>
<td>385,966</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td></td>
<td>(125,238)</td>
<td>(181,200)</td>
</tr>
<tr>
<td>Gross profit</td>
<td></td>
<td>116,878</td>
<td>204,766</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>8</td>
<td>(205,558)</td>
<td>(299,260)</td>
</tr>
<tr>
<td>Share of profits of associates</td>
<td>18</td>
<td>31</td>
<td>33</td>
</tr>
<tr>
<td>Operating loss</td>
<td></td>
<td>(88,662)</td>
<td>(94,463)</td>
</tr>
<tr>
<td>Net finance income/ (costs)</td>
<td>9</td>
<td>7,402</td>
<td>(17,642)</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>10</td>
<td>(81,260)</td>
<td>(112,105)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>11</td>
<td>(199)</td>
<td>(170)</td>
</tr>
<tr>
<td><strong>Loss after tax</strong></td>
<td></td>
<td>(81,459)</td>
<td>(112,275)</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the parent</td>
<td></td>
<td>(81,414)</td>
<td>(112,275)</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>21</td>
<td>(45)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Loss per share attributable to owners of the parent</strong></td>
<td></td>
<td>(81,459)</td>
<td>(112,275)</td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>12</td>
<td>(0.43)</td>
<td>(0.50)</td>
</tr>
<tr>
<td>Weighted-average shares outstanding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td></td>
<td>188,679,490</td>
<td>223,465,734</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements

F-2
Consolidated statements of comprehensive loss
for the year ended December 31,
(in $ thousands)

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss for the year</td>
<td></td>
<td>(81,459)</td>
<td>(112,275)</td>
<td>(155,575)</td>
</tr>
<tr>
<td>Other comprehensive (loss)/income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that may be subsequently reclassified to consolidated statement of operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td></td>
<td>(27,322)</td>
<td>33,504</td>
<td>(24,142)</td>
</tr>
<tr>
<td>Gains on cash flow hedges</td>
<td></td>
<td>-</td>
<td>-</td>
<td>436</td>
</tr>
<tr>
<td>Other comprehensive (loss)/income for the year, net of tax</td>
<td></td>
<td>(27,322)</td>
<td>33,504</td>
<td>(23,706)</td>
</tr>
<tr>
<td>Total comprehensive loss for the year, net of tax</td>
<td></td>
<td>(108,781)</td>
<td>(78,771)</td>
<td>(179,281)</td>
</tr>
</tbody>
</table>

Attributable to:
|                                |      |           |           |           |
| Equity holders of the parent   |      | (108,736) | (78,771)  | (179,281) |
| Non-controlling interests      | 21   | (45)      | -         | -         |
|                                |      | (108,781) | (78,771)  | (179,281) |

The accompanying notes are an integral part of these consolidated financial statements

F-3
### Consolidated statements of financial position

**(in $ thousands)**

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>December 31, 2017</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>14</td>
<td>9,193</td>
<td>10,458</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>15</td>
<td>74,041</td>
<td>103,345</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>16</td>
<td>26,696</td>
<td>37,528</td>
</tr>
<tr>
<td>Investments</td>
<td>17</td>
<td>278</td>
<td>566</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>17</td>
<td>58</td>
<td>86</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>110,266</td>
<td>151,983</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>13</td>
<td>50,610</td>
<td>60,954</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>14</td>
<td>18,180</td>
<td>93,670</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>384,002</td>
<td>1,044,786</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>452,792</td>
<td>1,199,410</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>563,058</td>
<td>1,351,393</td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>18</td>
<td>9,298</td>
<td>11,994</td>
</tr>
<tr>
<td>Share premium</td>
<td>18</td>
<td>677,674</td>
<td>772,300</td>
</tr>
<tr>
<td>Merger reserve</td>
<td>18</td>
<td>-</td>
<td>783,529</td>
</tr>
<tr>
<td>Foreign exchange reserve</td>
<td>19</td>
<td>633</td>
<td>(23,509)</td>
</tr>
<tr>
<td>Other reserves</td>
<td>19</td>
<td>38,475</td>
<td>67,474</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>19</td>
<td>(329,177)</td>
<td>(483,357)</td>
</tr>
<tr>
<td><strong>Equity attributable to owners of the parent</strong></td>
<td></td>
<td>396,903</td>
<td>1,128,431</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>21</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>396,903</td>
<td>1,128,431</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>24</td>
<td>5,142</td>
<td>13,462</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>29</td>
<td>5,123</td>
<td>15,342</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td></td>
<td>10,265</td>
<td>28,804</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>22</td>
<td>136,744</td>
<td>194,158</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>28</td>
<td>19,146</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td>155,890</td>
<td>194,158</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>166,155</td>
<td>222,962</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td></td>
<td>563,058</td>
<td>1,351,393</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
The accompanying notes are an integral part of these consolidated financial statements
Consolidated statements of cash flows
for the year ended December 31,
(in $ thousands)

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(81,260)</td>
<td>(112,105)</td>
<td>(153,417)</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>16</td>
<td>2,451</td>
<td>3,648</td>
</tr>
<tr>
<td>Amortization</td>
<td>15</td>
<td>4,446</td>
<td>7,332</td>
</tr>
<tr>
<td>Impairment of non-current assets</td>
<td>43</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-cash employee benefits expense - share based payments</td>
<td>15,339</td>
<td>16,578</td>
<td>53,819</td>
</tr>
<tr>
<td>Net loss on sale of non-current assets</td>
<td>261</td>
<td>42</td>
<td>1,028</td>
</tr>
<tr>
<td>Share of profits of associates</td>
<td>(15)</td>
<td>(35)</td>
<td>(33)</td>
</tr>
<tr>
<td>Net finance income</td>
<td>(204)</td>
<td>(1,261)</td>
<td>(19,866)</td>
</tr>
<tr>
<td>Net exchange differences</td>
<td>2,073</td>
<td>12,196</td>
<td>7,621</td>
</tr>
<tr>
<td>Issue of warrants</td>
<td>409</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(Increase)/decrease in the fair value of derivatives</td>
<td>(288)</td>
<td>44</td>
<td>(506)</td>
</tr>
<tr>
<td><strong>Changes in working capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in receivables</td>
<td>(9,524)</td>
<td>(598)</td>
<td>(72,151)</td>
</tr>
<tr>
<td>Increase in inventories</td>
<td>(6,308)</td>
<td>(35,163)</td>
<td>(10,345)</td>
</tr>
<tr>
<td>Increase in payables</td>
<td>19,463</td>
<td>47,406</td>
<td>57,432</td>
</tr>
<tr>
<td><strong>Changes in other assets and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in non-current receivables</td>
<td>(619)</td>
<td>(3,826)</td>
<td>(1,265)</td>
</tr>
<tr>
<td>Increase in other liabilities</td>
<td>7,973</td>
<td>7,365</td>
<td>-</td>
</tr>
<tr>
<td>Increase in provisions</td>
<td>-</td>
<td>-</td>
<td>(701)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1,222)</td>
<td>(591)</td>
<td>(536)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(97)</td>
<td>(352)</td>
<td>(822)</td>
</tr>
<tr>
<td><strong>Net cash outflow from operating activities</strong></td>
<td>(47,079)</td>
<td>(59,320)</td>
<td>(116,205)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of subsidiary, net of cash acquired</td>
<td>5</td>
<td>-</td>
<td>195</td>
</tr>
<tr>
<td>Payments for property, plant and equipment</td>
<td>(6,012)</td>
<td>(12,616)</td>
<td>(21,137)</td>
</tr>
<tr>
<td>Payment for intangible assets</td>
<td>(12,586)</td>
<td>(18,997)</td>
<td>(50,978)</td>
</tr>
<tr>
<td>Interest received</td>
<td>1,637</td>
<td>2,833</td>
<td>8,865</td>
</tr>
<tr>
<td>Payment for equity investments</td>
<td>-</td>
<td>(278)</td>
<td>(288)</td>
</tr>
<tr>
<td><strong>Net cash outflow from investing activities</strong></td>
<td>(16,961)</td>
<td>(28,863)</td>
<td>(63,538)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment for acquisition of non-controlling interest</td>
<td>(5,028)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from issue of shares, net of issue costs</td>
<td>146,869</td>
<td>322,097</td>
<td>859,526</td>
</tr>
<tr>
<td>Repayment of loan notes</td>
<td>23</td>
<td>(47)</td>
<td>(21,955)</td>
</tr>
<tr>
<td>Proceeds from issue of loan notes, net of issue costs</td>
<td>19,379</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash inflow from financing activities</strong></td>
<td>161,173</td>
<td>300,142</td>
<td>859,526</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>97,133</td>
<td>211,959</td>
<td>679,783</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the financial year</td>
<td>72,579</td>
<td>150,032</td>
<td>384,002</td>
</tr>
<tr>
<td>Effects of exchange rate changes on cash and cash equivalents</td>
<td>19,680</td>
<td>22,011</td>
<td>(18,999)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>150,032</td>
<td>384,002</td>
<td>1,044,786</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements
1. Corporate information

Farfetch Limited (the “Company”) is an exempted company incorporated with limited liability under the Companies Law (2018 Revision) of the Cayman Islands, as amended and restated from time to time (the “Companies Law”). The principal place of business is The Bower, 211 Old Street, London, EC1V 9NR, United Kingdom. Farfetch Limited and its subsidiary undertakings (the “Group”) is principally engaged in the following:

- providing an online marketplace at Farfetch.com (and related suffixes) for retailers and brands to be able to offer their products for sale to the public (including associated services such as ‘production’, logistics, customer services and payment processing);
- web design, build and development for retailers and brands to enable them to offer their products to the public; and
- operation of the Browns London fashion boutique.

Summary of impact of Group restructure and Initial Public Offering (IPO)

On September 21, 2018, the Company commenced trading its shares on the New York Stock Exchange. In preparation for this Initial Public Offering, “IPO” the Group was restructured. The steps to restructure the Group had the effect of Farfetch Limited being inserted above Farfetch.com Limited as the holder of the Farfetch.com Limited share capital. The reorganization transactions have been treated as a capital reorganization. In accordance with International Financial Reporting Standards, historic earnings per share calculations and the balance sheet as of December 31, 2017 have been restated retrospectively to reflect the capital structure of the new parent rather than that of the former parent, Farfetch.com Limited.

The Group is presented as if Farfetch Limited has always owned Farfetch.com Limited. The comparative statement of operations and statement of financial position are presented in line with the previously presented Farfetch.com Limited position. The comparative and current period consolidated reserves of the Group are adjusted to reflect the statutory share capital and share premium of Farfetch Limited. A merger reserve arose as a result of the restructuring of the Group and represents the difference between the equity of the acquired company (Farfetch.com Limited) and the investment by the acquiring company (Farfetch Limited).

The steps taken to restructure the Group were as follows. On September 18, 2018, all holders of warrants over Farfetch.com shares, except a holder of 189,995 warrants that remains outstanding, exercised their warrants into the applicable class of shares and the outstanding shares of Farfetch.com and were exchanged for shares of Farfetch Limited with equivalent rights. Following the exchange, the £0.10 British Pound Sterling dominated ordinary shares and the preference shares held by the shareholders of Farfetch Limited were converted into United States Dollar denominated $0.20 ordinary shares of Farfetch Limited and subsequently exchanged, one for five, for $0.04 Class A ordinary shares and Class B ordinary shares, as applicable. Outstanding options of Farfetch.com were released in exchange for the grant of options with equivalent rights over Class A ordinary shares of Farfetch Limited.

These financial statements were authorized for issue on March 1, 2019.

2. Significant accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared under the historical cost convention unless otherwise stated.
Notes to the consolidated financial statements (continued)

The consolidated financial statements are presented in United States dollars (“United States Dollars” or “USD” or “$”). All values are rounded to the nearest thousand dollars, except where indicated. The tables in these notes are shown in USD thousands, except where indicated.

The consolidated financial statements provide comparative information in respect of the previous periods.

2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the parent of the Group and to the non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.3. Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group measures the non-controlling interests in the acquiree at the proportionate share of the acquiree’s identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and is measured at fair value with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests over the net identifiable assets acquired and liabilities assumed which are measured at fair value at the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated
Notes to the consolidated financial statements (continued)

to each of the Group’s cash-generating units (“CGU”) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Annual impairment testing is performed at every reporting date being December 31. Refer to note 2.3 m) for the Group’s policy on the impairment of non-financial assets.

b) Investment in associates

The Group recognizes an associate when the Group has a significant influence over that entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group’s investment in its associate, Farfetch Finance Limited, is accounted for using the equity method.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income.

c) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

d) Fair value measurement

This section outlines the Group policies applicable to financial instruments that are recognized and measured at fair value in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
Notes to the consolidated financial statements (continued)

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

e) Revenue recognition

Revenue is recognized in accordance with the five-step model under IFRS 15, which was early adopted by the Group on January 1, 2017 on a fully retrospective basis:

1. identifying the contracts with customers;
2. identifying the separate performance obligations;
3. determining the transaction price;
4. allocating the transaction price to the separate performance obligations; and
5. recognizing revenue when each performance obligation is satisfied.

Retailing of goods

Revenue, where the Group acts as a principal, is recognized when the performance obligation is satisfied which is when the goods are received by the customer. Included within sales of goods is a provision for expected returns, discounts and rebates. Where these are not known, the Group uses historical data and patterns to calculate an estimate.

Rendering of services

The Group primarily acts as a commercial intermediary between sellers, being the brands and boutiques, and end consumers and earns a commission for this service.

For these arrangements, the sellers determine the transaction price of the goods sold on the website, being the purchase price paid by the consumer, with the Group acting as an agent for the sellers and the related revenue is recognized on a net basis. The Group also charges fees to sellers for activities related to providing this service, such as packaging, credit card processing, settlement of duties, and other transaction processing activities. These activities are not considered separate promises to the customer, and the related fees are therefore recognized concurrently with commissions at the time the performance obligation to facilitate the transaction between the seller.
and end consumer is satisfied, which is when the goods are dispatched to the end consumer by the seller. A provision is made for commissions that would be refunded if the end consumer returns the goods, and the Group uses historical data and patterns to estimate its return provision. There are no significant payment terms with the Group taking payment in full from the consumer’s chosen payment method at the time the goods are dispatched by the seller.

The Group also provides delivery services to end consumers, with the Group setting the transaction price, for goods purchased on its platform. For these services, the Group acts as the principal and recognizes as revenue amounts charged to end consumers net of any promotional incentives and discounts. Revenue for these services is recognized on delivery of goods to the end consumer, which represents the point in time at which the Group’s performance obligation is satisfied. No provision for returns is made as delivery revenue is not subject to refund. Promotional incentives, which include basket promo-code discounts, may periodically be offered to end consumers. These are treated as a deduction to revenue. Cash is collected by the Group from the end consumer using payment service providers. Within two months of the transactions, this is remitted to the relevant seller (net of commission and recoveries). Such amounts are presented within trade and other payables, unless the relevant seller is in a net receivable position and is therefore classified within trade and other receivables.

f) Current and deferred tax

Current tax is the expected tax payable based on the taxable profit for the period, and the tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Current and deferred tax is charged or credited in the statement of operations, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also recognized directly in equity.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates and in accordance with laws that are expected to apply in the period/jurisdiction when/where the liability is settled or the asset is realized.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities and where there is an intention to settle the balances on a net basis.

g) Foreign currencies

The Group’s consolidated financial statements are presented in United States Dollars. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company is United States Dollars.

h) Foreign currency translation

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities
denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

On consolidation, the assets and liabilities of foreign operations are translated into United States Dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates. The exchange differences arising on translation for consolidation are recognized in OCI.

i) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. All repair and maintenance costs are recognized in profit or loss as incurred.

Items of property, plant and equipment are depreciated with an expense recognized in depreciation and amortization expense on a straight-line basis over their useful life.

The useful lives of these items are assessed as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>Over the life of the lease</td>
</tr>
<tr>
<td>Fixtures and fittings</td>
<td>Three to ten years</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>Four to eight years</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>Three to ten years</td>
</tr>
</tbody>
</table>

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of operations in the expense category that is consistent with the function of the intangible assets. Other than goodwill, there are no intangible assets with indefinite useful lives.
Notes to the consolidated financial statements (continued)

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to the relevant CGUs which are tested for impairment annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Refer to note 2.3 m) for the Group’s policy on the impairment of non-financial assets.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in administrative expenses. Development intangible assets under the course of construction are tested for impairment annually or more frequently if events or changes in circumstance indicate that they might be impaired. Once placed into service the asset is tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Subsequent costs

Subsequent costs are only capitalized when there is an increase in the anticipated future economic benefit attributable to the assets in question. All other subsequent costs are recorded in the statement of operations for the year in which they are incurred.

Amortization

Amortization is charged to depreciation and amortization expense on a straight-line basis over the estimated useful life of the intangible assets, from the time that the assets are available for use. The useful lives of these items are assessed as follows:

- Development costs: Three years
- Brand, trademarks & domain names: Five to ten years
- Customer relationships: Three to five years

k) Inventories

Inventories are carried at the lower of cost and the net realizable value based on market performance, including the relative ancillary selling costs. The cost of inventories, calculated according to the weighted average cost method for each category of goods, includes purchase costs and costs incurred to bring the inventories to their present location and condition. In order to represent the value of inventories appropriately in the statement of financial position, and to take into account impairment losses due to obsolete materials and slow inventory movement, obsolescence provisions have been directly deducted from the carrying amount of the inventories.
Financial instruments—initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Groups financial assets comprise cash and cash equivalents, receivables and derivative financial instruments. Derivative financial instruments are comprised of forward exchange contracts, which are measured at fair value through profit or loss, unless they are formally designated and measured as cash flow hedges.

Trade receivables are generally accounted for at amortized cost. The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

Financial assets through profit or loss are measured initially at fair value with transaction costs taken directly to the consolidated statement of operations. Subsequently, the financial assets are remeasured, and gains and losses are recognized in the consolidated statement of operations.

Financial liabilities

The Group’s financial liabilities comprise trade and other payables, interest bearing loans and borrowings, contingent consideration and foreign exchange contracts.

Trade and other payables are held at amortized cost.

All interest bearing loans and borrowings are initially recognized at fair value net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Contingent consideration and foreign exchange contracts are measured initially at fair value through profit or loss with transaction costs taken directly to the consolidated statement of operations. Subsequently, the fair values are remeasured and gains and losses from changes therein are recognized in the consolidated statement of operations.

Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

Where the derivative is not designated as a hedge, subsequent changes in the fair value are recognized in profit or loss. Such derivatives are classified as a current asset or liability.

The group designates certain derivatives as cash flow hedges to hedge particular risks associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. Currently the Group has only designated cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

When a hedging instrument matures, any gains or losses held in the cash flow hedge reserve are recycled to profit or loss.
Notes to the consolidated financial statements (continued)

If a hedge no longer meets the criteria for hedge accounting, or the forecast transaction is no longer likely to occur, the cumulative gain or loss reported in equity is immediately reclassified to profit or loss.

m) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

The Group bases its impairment calculation on detailed budgets which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of five years. Impairment losses of continuing operations, are recognized in the statement of operations in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount.

Goodwill and intangible assets are tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

n) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

o) Share based payments

Employees (including senior executives) of the Group receive remuneration in the form of share based payments, whereby employees render services as consideration. The consideration is either equity or cash settled depending on the scheme.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The statement of operations expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest.
Notes to the consolidated financial statements (continued)

Cash-settled transactions

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

Employment related taxes

Where the Group has an obligation to settle employment related taxes on share based payments received by employees, these are provided for based on the intrinsic value of the vested share options at the end of the reporting period.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

As of December 31, 2018 the Group’s cash and cash equivalents balance consists of $49,935,000 of cash held in banks (2017: $38,904,000) and $994,851,000 of cash equivalents (2017: $345,098,000). Cash and cash equivalent consists of $739,330,000 money market funds (2017: $274,971,000), $225,209,000 of short-term deposits (2017: $45,415,000) and $30,312,000 held by payment service providers ($24,712,000). The Group has classified amounts held in money market funds as cash equivalents because those funds are short term in nature, highly liquid, readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value. The Group has determined this classification is appropriate because each of these EU-regulated funds are valued on a Constant Net Asset Value basis and have the highest credit rating available.

2.4. Changes in accounting policies and disclosures

Amendments to IFRSs that are mandatorily effective for the current year

In the year ended December 31, 2018, the Group has applied the below amendments to IFRSs issued by the IASB that are mandatorily effective for an accounting period that began on or after January 1, 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 for the first time in the current year. The application of the standard has had no material impact on the Group’s consolidated financial statements. Due to the nature of the Group’s financial assets and liabilities there has been no material changes to the Group’s accounting policies as a result of adopting IFRS 9.

IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions

The Group has adopted the amendments to IFRS 2 for the first time in the current year. The amendments address the measurement of cash-settled share-based payments, the classification of share-based payments settled net of tax withholdings, and the accounting for a modification of a share-based payment from cash-settled to equity-settled. The application of these amendments has had no impact on the Group’s consolidated financial statements.

New and revised IFRSs in issue but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16 Leases (effective January 1, 2019)
IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The Group has set up a project team which has reviewed all of the Group’s leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group’s operating leases. The Group does not act as a lessor and therefore no impact is expected in relation to lessor accounting.

As at the reporting date, the Group has non-cancellable operating lease commitments of $103,034,000, see note 26. The Group expects to recognize right-of-use assets of approximately $75,908,000 on 1 January 2019, and lease liabilities of $77,385,000 (after adjustments for prepayments and accrued lease payments recognized as at 31 December 2018).

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the modified retrospective transition approach and will not restate comparative amounts for the year prior to first-time adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

3. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the Group’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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 subsequent years.

Critical judgements in applying group accounting policies

Intangible assets—development costs

a) Cost capitalization

Amounts capitalized include the total cost of any external products or services and internal labor costs directly attributable to the development of the asset. Management judgment is involved in determining the appropriate internal costs to capitalize and the amounts involved.

b) Useful life

The useful life is determined by management at the time the asset is brought into its intended use and is regularly reviewed for appropriateness. The useful life represents management’s view of the expected period over which the Group will receive benefits.

Recognition of a deferred tax asset

The Group has accumulated significant unutilized trading tax losses (note 25). A deferred tax asset in respect of these losses can only be recognized when it is probable that future taxable profits will be available to utilize these against. No net deferred tax asset has been recognized in respect of these trading losses because there is uncertainty on the timing of future profitability in the near future. The Group reviews this assessment on an annual basis.
Key sources of estimation uncertainty

Impairment of non-financial assets

Impairment exists when the carrying value of an asset CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (“DCF”) model. The cash flows are derived from the budget for the next five years. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and outflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognized by the Group.

Share based payments

Estimating the fair value of share options requires the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The Group uses the Black Scholes Valuation Model to estimate the fair value of each grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. These inputs, and the volatility assumption in particular, are considered to be highly complex and subjective. Because the Group’s shares have been publicly traded for a short period of time, it lacks sufficient company-specific historical and implied volatility information for its shares. Therefore, it estimates expected share price volatility based on the historical volatility of publicly traded peer companies and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded share price.

Inventory provisions

Inventory is carried at the lower of cost and net realizable value which requires an estimation of the products’ future selling prices. Judgment is required in determining any write-down for slow-moving or obsolete inventory.

4. Revenue

Revenue by type of good or service

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-store revenue</td>
<td>12,668</td>
<td>15,434</td>
<td>15,595</td>
</tr>
<tr>
<td>Platform services revenue</td>
<td>180,937</td>
<td>296,350</td>
<td>488,995</td>
</tr>
<tr>
<td>Platform fulfillment revenue</td>
<td>48,511</td>
<td>74,182</td>
<td>97,794</td>
</tr>
<tr>
<td></td>
<td>242,116</td>
<td>385,966</td>
<td>602,384</td>
</tr>
</tbody>
</table>

In-store

The Group has a single performance obligation in respect in-store revenue, which is the sale of finished goods.

Platform services

Within platform services, the Group primarily acts as a commercial intermediary between sellers and end consumers and earns a commission for this service. Commission revenue is recognized on a net basis in the statement of operations because the Group acts as an agent in these arrangements. Revenue in relation to these obligations within Platform Services Revenue which have not been satisfied at the end of the reporting period is $1,651,000 (2017: 1,067,000, 2016: $330,000) and is expected to be recognized in under 90 days from the end of the reporting period. In 2018, $1,067,000 (2017: $330,000, 2016: $165,000) of revenue deferred in 2017 (2016, 2015) was recognized as revenue.
In other arrangements, the Group sells its own goods on the platform where the Group is the principal, and therefore related revenues are recognized on a gross basis. Revenue on the sale of these goods is recognized when the goods are received by the end consumer. For finished goods that have been ordered on the platform but not yet delivered to the end consumer at the end of the reporting period, revenue is deferred until delivery. At December 31, 2018, these deferred amounts were $2,015,000 (2017: $1,135,000, 2016: $741,000), which the Group expects to recognize within 30 days of period end. In 2018, $1,135,000 (2017: $741,000, 2016: $nil) of revenue deferred in 2017 (2016, 2015) was recognized as revenue.

Platform service revenue also includes fees charged to sellers for other activities, such as packaging, credit card processing, and other transaction processing activities.

At checkout, end consumers are charged for delivery, if applicable, in addition to the price of goods in their basket (refer to Platform fulfilment below for a discussion of delivery services). The Group is responsible for the collection of cash from end consumers with payment typically taken in advance of completing its performance obligations.

In arrangements where the Group acts as an agent, cash collections are remitted net to the sellers generally within two months of collection.

**Platform fulfilment**

The Group also provides delivery services for products sold on the platform, for which revenues are recognized when the products are delivered to the end consumers. Revenues for delivery services are stated net of promotional incentives and discounts. Platform fulfilment revenue also includes fees charged to sellers for the settlement of duties which are recognized concurrently with commissions.

As discussed above, the promise with respect to delivery services is satisfied only when the goods are delivered. Within Platform Fulfilment Revenue, where the delivery performance obligation has not been satisfied at the end of the reporting period, revenue of $479,000 (2017: $436,000, 2016: $407,000) has been deferred and is expected to be recognized in under 90 days from the end of the reporting period. The transaction price for this performance obligation is the delivery costs charged to the consumer as described above. In 2018 $436,000 (2017: $407,000, 2016: $153,000) of revenue deferred in 2017 (2016, 2015) was recognized as revenue.

There were no receivables from contracts with customers (2016 and 2017: none).

Further detail can be found in note 2.3 e) to the financial statements.

5. **Business combinations**

**Acquisition in 2016**

There were no business combinations in 2016.

**Acquisitions in 2017**

**Fashion Concierge UK Limited**

On October 31, 2017, Farfetch UK Limited, a wholly owned subsidiary of the Parent, acquired 100% of the issued share capital of Fashion Concierge UK Limited and its subsidiary F&C Fashion Concierge, LDA (“Fashion Concierge UK Limited”). The primary reason for the acquisition is for the Group to enhance its private client offering. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

<table>
<thead>
<tr>
<th>Purchase consideration</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares issued</td>
<td>2,183</td>
</tr>
</tbody>
</table>

**Total purchase consideration** 2,183
The fair value of the 45,000 shares issued as 100% of the consideration paid for Fashion Concierge UK Limited ($2,183,000) was estimated based upon the Company’s most recent funding round as of the date of the acquisition.

**Net cash inflow arising on acquisition**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalent balances acquired</td>
<td>195</td>
</tr>
<tr>
<td>Cash consideration</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash inflow</strong></td>
<td>195</td>
</tr>
</tbody>
</table>

The ordinary shares issued are non-cash investing activities

The Group recognized the following assets and liabilities upon the Fashion Concierge UK Limited acquisition:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>1</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>4</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>301</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>195</td>
</tr>
<tr>
<td>Trade payables</td>
<td>(1,341)</td>
</tr>
<tr>
<td><strong>Total net identified liabilities acquired</strong></td>
<td>(840)</td>
</tr>
<tr>
<td>Goodwill</td>
<td>3,023</td>
</tr>
<tr>
<td><strong>Total goodwill acquired</strong></td>
<td>3,023</td>
</tr>
<tr>
<td><strong>Net assets acquired</strong></td>
<td>2,183</td>
</tr>
</tbody>
</table>

The goodwill represents the synergies that Farfetch is expected to generate.

**Revenues and profit contribution**

The results of operations for each of the acquisitions have been included in the Group’s consolidated statements of operations since the respective dates of acquisitions. Actual and pro forma revenue and results of operations for the acquisitions have not been presented because they do not have a material impact to the consolidated revenue and results of operations, either individually or in aggregate.

**Acquisition related costs**

Acquisition-related costs of $123,000 are included in selling, general and administrative expenses.
Style.com

On June 12, 2017, Farfetch UK Limited, a wholly owned subsidiary of the Parent, acquired 100% of the business of Style.com, a luxury e-commerce retailer, from Conde Nast. The primary reason for the acquisition was for the Group to leverage customer relationships, the Style.com domain name authority and content to enhance the Group’s marketplace business. Details of the purchase consideration, the assets acquired and goodwill are as follows:

<table>
<thead>
<tr>
<th>Purchase consideration</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares issued</td>
<td>12,411</td>
</tr>
<tr>
<td><strong>Total purchase consideration</strong></td>
<td><strong>12,411</strong></td>
</tr>
</tbody>
</table>

The fair value of the 258,265 shares issued as 100% of the consideration paid for Style.com Limited ($12,411,000) was estimated based upon the Company’s most recent funding round as of the date of the acquisition. The ordinary shares issued are non-cash investing activities.

The Group recognized the following assets and liabilities upon acquisition:

<table>
<thead>
<tr>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
</tr>
<tr>
<td><strong>Total net identified assets acquired</strong></td>
</tr>
<tr>
<td>Goodwill</td>
</tr>
<tr>
<td>Customer relationships</td>
</tr>
<tr>
<td>Trademarks and domain name</td>
</tr>
<tr>
<td>Deferred tax liability</td>
</tr>
<tr>
<td><strong>Total goodwill and identifiable intangible assets acquired</strong></td>
</tr>
<tr>
<td><strong>Net assets acquired</strong></td>
</tr>
</tbody>
</table>

The trademarks and domain name are amortized over ten years and the customer relationships are amortized over three years.

The goodwill is attributable to the Style.com reputation and the expected synergies and efficiencies generated by the business combination. It will not be deductible for tax purposes.

There was no cashflow impact with purchase consideration being the issue of shares and there being no cash acquired.

**Acquisition related costs**

Acquisition-related costs of $557,000 are included in selling, general and administrative expenses.

The results of operations for each of the acquisitions have been included in the Group’s consolidated statements of operations since the respective dates of acquisitions. Actual and pro forma revenue and results of operations for the acquisitions have not been presented because they do not have a material impact to the consolidated revenue and results of operations, either individually or in aggregate.

**Acquisitions in 2018**

There were no business combinations in 2018.
6. Segmental and geographical information

The Group has identified four operating segments. This assessment is based on information reported to the Group’s Chief Executive for the purpose of assessing segmental performance and resource allocation.

These are the Marketplace (which operates the Farfetch.com marketplace website and app), Farfetch Black & White Solutions (a white label website solution for luxury brands), Stores (operation of the Browns luxury boutiques) and Store of the Future (provision of technology solutions to retail outlets). The Marketplace represents over 90% of the Group’s revenue, results and assets. As such the Group has presented only one reportable segment.

Geographical information

The Group operates a platform that connects retailers and brands, which provide supply, with consumers, who provide demand. Therefore, the Group believes it is relevant to disclose geographical revenue information on both a supply basis, determined by location of the Farfetch contracting entity, and on a demand basis, determined by location of consumer.

The Group’s UK revenue, based on location of the Farfetch contracting entity, was $492,495,000 (2017: $335,345,000, 2016: $208,857,000).

The Group’s revenue from external customers, based on consumer ship-to location, and information about its segment assets by geographical location are detailed below:

<table>
<thead>
<tr>
<th>Revenue from external customers</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>77,608</td>
<td>111,349</td>
<td>175,060</td>
</tr>
<tr>
<td>Europe, Middle East and Africa</td>
<td>92,885</td>
<td>156,507</td>
<td>240,662</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>71,623</td>
<td>118,110</td>
<td>186,662</td>
</tr>
<tr>
<td>Total</td>
<td>242,116</td>
<td>385,966</td>
<td>602,384</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-current assets</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>4,046</td>
<td>6,089</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>53,594</td>
<td>118,374</td>
</tr>
<tr>
<td>Europe, Middle East and Africa</td>
<td>45,596</td>
<td>21,500</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>7,030</td>
<td>6,020</td>
</tr>
<tr>
<td>Total</td>
<td>110,266</td>
<td>151,983</td>
</tr>
</tbody>
</table>

For the year ended December 31, 2018, the Group revised its methodology for determining the geographical location of revenue from being based on customer shipping location to customer billing location. In addition, the Group previously disclosed first-party sales based on the location of the seller. The Group has revised this to being based on the customer billing location which is consistent with third-party based sales. Revenue by geographical location for the year ended December 31, 2016 and 2017 has been revised to reflect this change in methodology.

No single customer amounted for more than 10% of Group revenues (2017: none, 2016: none).
7. **Employees and directors**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>60,455</td>
<td>88,164</td>
<td>140,298</td>
</tr>
<tr>
<td>Social security costs</td>
<td>9,626</td>
<td>12,783</td>
<td>24,976</td>
</tr>
<tr>
<td>Other pension costs</td>
<td>360</td>
<td>898</td>
<td>1,391</td>
</tr>
<tr>
<td>Share based payments (equity settled)</td>
<td>17,256</td>
<td>16,667</td>
<td>34,668</td>
</tr>
<tr>
<td>Share based payments (cash settled)</td>
<td>1,178</td>
<td>3,807</td>
<td>10,355</td>
</tr>
<tr>
<td>Share based payments (employment related taxes)</td>
<td>1,414</td>
<td>1,012</td>
<td>8,796</td>
</tr>
<tr>
<td></td>
<td>90,289</td>
<td>123,331</td>
<td>220,484</td>
</tr>
</tbody>
</table>

8. **Selling, general and administrative expenses**

Included within selling, general and administrative expenses are:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand generation expenses</td>
<td>48,381</td>
<td>69,202</td>
<td>97,295</td>
</tr>
<tr>
<td>Technology</td>
<td>12,269</td>
<td>31,611</td>
<td>68,224</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>6,897</td>
<td>10,980</td>
<td>23,537</td>
</tr>
<tr>
<td>Share based payments</td>
<td>19,848</td>
<td>21,486</td>
<td>53,819</td>
</tr>
</tbody>
</table>

9. **Finance income and costs**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealised exchange gains</td>
<td>7,643</td>
<td>-</td>
<td>9,143</td>
</tr>
<tr>
<td>Deposit account interest</td>
<td>1,359</td>
<td>2,510</td>
<td>6,859</td>
</tr>
<tr>
<td>Other interest income</td>
<td>278</td>
<td>323</td>
<td>4,401</td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td>9,280</td>
<td>2,833</td>
<td>20,403</td>
</tr>
<tr>
<td>Unrealised exchange losses</td>
<td>-</td>
<td>(18,902)</td>
<td>-</td>
</tr>
<tr>
<td>Interest on borrowings</td>
<td>(1,473)</td>
<td>(1,572)</td>
<td>-</td>
</tr>
<tr>
<td>Other interest expense</td>
<td>(29)</td>
<td>(1)</td>
<td>(537)</td>
</tr>
<tr>
<td>Warrants issued</td>
<td>(376)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>(1,878)</td>
<td>(20,475)</td>
<td>(537)</td>
</tr>
<tr>
<td>Net finance income/ (costs)</td>
<td>7,402</td>
<td>(17,642)</td>
<td>19,866</td>
</tr>
</tbody>
</table>

10. **Loss before tax**

Loss before tax items include:

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee benefits</td>
<td>7</td>
<td>90,289</td>
<td>123,331</td>
</tr>
<tr>
<td>Operating leases</td>
<td>12,322</td>
<td>18,162</td>
<td>19,244</td>
</tr>
<tr>
<td>Research and development costs expensed</td>
<td>4,972</td>
<td>5,102</td>
<td>12,455</td>
</tr>
<tr>
<td>Loss on disposal of non-current assets</td>
<td>261</td>
<td>42</td>
<td>1,028</td>
</tr>
<tr>
<td>Depreciation—Property, plant &amp; equipment (note 16)</td>
<td>2,451</td>
<td>3,648</td>
<td>7,338</td>
</tr>
<tr>
<td>Amortization—Intangible assets (note 15)</td>
<td>4,446</td>
<td>7,332</td>
<td>16,199</td>
</tr>
<tr>
<td>Auditors’ remuneration</td>
<td>411</td>
<td>1,095</td>
<td>2,152</td>
</tr>
</tbody>
</table>
Notes to the consolidated financial statements (continued)

11. Taxation

a) Income tax expense

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current tax:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate tax</td>
<td>182</td>
<td>805</td>
<td>2,208</td>
</tr>
<tr>
<td>Prior year adjustments</td>
<td>17</td>
<td>132</td>
<td>(50)</td>
</tr>
<tr>
<td><strong>Total current tax</strong></td>
<td>199</td>
<td>937</td>
<td>2,158</td>
</tr>
<tr>
<td><strong>Total deferred tax</strong></td>
<td>-</td>
<td>(767)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>199</td>
<td>170</td>
<td>2,158</td>
</tr>
</tbody>
</table>

b) Reconciliation of income tax expense to tax payable

The tax on the Group’s loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the consolidated entities as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss before tax</td>
<td>(81,260)</td>
<td>(112,105)</td>
<td>(153,417)</td>
</tr>
<tr>
<td>Tax at the UK tax rate of 19.00% (2017: 19.25%, 2016: 20.00%)</td>
<td>(16,252)</td>
<td>(21,580)</td>
<td>(29,149)</td>
</tr>
<tr>
<td><strong>Tax effects of:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of intangible assets</td>
<td>46</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sundry temporary differences</td>
<td>268</td>
<td>(599)</td>
<td>-</td>
</tr>
<tr>
<td>Sundry permanent differences</td>
<td>1,945</td>
<td>1,965</td>
<td>4,355</td>
</tr>
<tr>
<td>Entertaining</td>
<td>272</td>
<td>27</td>
<td>37</td>
</tr>
<tr>
<td>Loss utilisation</td>
<td>-</td>
<td>(85)</td>
<td>(334)</td>
</tr>
<tr>
<td>Taxes paid overseas and rate difference</td>
<td>42</td>
<td>(144)</td>
<td>(599)</td>
</tr>
<tr>
<td>Foreign exchange rate differences</td>
<td>306</td>
<td>192</td>
<td>(6)</td>
</tr>
</tbody>
</table>

Unrecognized deferred tax asset arising from timing differences
relating to:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share based payment</td>
<td>2,913</td>
<td>3,722</td>
<td>(4,327)</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>208</td>
<td>463</td>
<td>361</td>
</tr>
<tr>
<td>Prior year adjustments</td>
<td>17</td>
<td>132</td>
<td>(50)</td>
</tr>
<tr>
<td>Losses carried forward</td>
<td>10,434</td>
<td>16,077</td>
<td>31,870</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>199</td>
<td>170</td>
<td>2,158</td>
</tr>
</tbody>
</table>

The Finance Act 2015 reduced the main rate of UK Corporation Tax, “CT” from 20% to 19% for the 2017 tax year, with the rate set at 19% for the 2018 and 2019 tax years. The Finance Act 2016 has set the CT rate for the 2020 tax year as 17%. Consequently the Group has used a tax rate of 19.00% for the 2018 financial year.

There is no income tax relating to the components presented within other comprehensive income.

F-24
12. Loss per share

Basic loss per share is computed using the weighted-average number of outstanding shares during the period. Diluted loss per share is computed using the weighted-average number of outstanding shares and excludes all potential shares outstanding during the period, as their inclusion would be anti-dilutive. The Group’s potential shares consist of incremental shares issuable upon the assumed exercise of share options and warrants, and the incremental shares issuable upon the assumed vesting of unvested share awards. The calculation of loss per share is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>In $ thousands, except share and per share data</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss attributable to owners of the parent</td>
<td>(81,414)</td>
<td>(112,275)</td>
<td>(155,575)</td>
</tr>
<tr>
<td>Shares used in calculation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted-average shares outstanding</td>
<td>188,679,490</td>
<td>223,465,734</td>
<td>264,432,214</td>
</tr>
<tr>
<td>Basic and diluted loss per share attributable to owners of the parent</td>
<td>(0.43)</td>
<td>(0.50)</td>
<td>(0.59)</td>
</tr>
</tbody>
</table>

Potential dilutive securities that are not included in the diluted per share calculations because they would be anti-dilutive are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee options</td>
<td>5,462</td>
<td>6,675</td>
<td>14,649</td>
</tr>
<tr>
<td>Warrants</td>
<td>3,142</td>
<td>3,303</td>
<td>125</td>
</tr>
<tr>
<td>Contingently issuable shares</td>
<td>-</td>
<td>994</td>
<td>-</td>
</tr>
</tbody>
</table>

13. Inventories

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finished goods</td>
<td>50,610</td>
<td>60,954</td>
</tr>
<tr>
<td></td>
<td>50,610</td>
<td>60,954</td>
</tr>
</tbody>
</table>

The total cost of inventory recognized as an expense in the consolidated profit or loss was $87,416,000 (2017: $55,192,000). The total provision against inventory in order to write down the balance to the net recoverable value was $4,182,000 (2017: $1,162,000).

14. Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>5,294</td>
<td>48,285</td>
</tr>
<tr>
<td>Sales taxes</td>
<td>5,307</td>
<td>10,352</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>7,394</td>
<td>34,342</td>
</tr>
<tr>
<td>Derivative financial assets (note 28)</td>
<td>185</td>
<td>691</td>
</tr>
<tr>
<td></td>
<td>18,180</td>
<td>93,670</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>9,193</td>
<td>10,458</td>
</tr>
<tr>
<td></td>
<td>9,193</td>
<td>10,458</td>
</tr>
</tbody>
</table>

The carrying amount of other receivables approximates their fair value. The maximum credit risk at the balance sheet date is considered to be equivalent to the carrying value of other receivables.

F-25
### 15. Intangible assets

#### Cost

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Brand, trademarks &amp; domain names</th>
<th>Customer relationships</th>
<th>Development costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At December 31, 2016</td>
<td>25,503</td>
<td>3,555</td>
<td>1,030</td>
<td>17,785</td>
<td>47,873</td>
</tr>
<tr>
<td>Additions</td>
<td>10,073</td>
<td>3,046</td>
<td>1,178</td>
<td>18,997</td>
<td>33,294</td>
</tr>
<tr>
<td>Transfers</td>
<td>-</td>
<td>139</td>
<td>-</td>
<td>(139)</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange movements</td>
<td>2,873</td>
<td>549</td>
<td>176</td>
<td>2,294</td>
<td>5,892</td>
</tr>
<tr>
<td>At December 31, 2017</td>
<td>38,449</td>
<td>7,289</td>
<td>2,384</td>
<td>38,937</td>
<td>87,059</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>50,978</td>
<td>50,978</td>
</tr>
<tr>
<td>Transfers</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>166</td>
<td>166</td>
</tr>
<tr>
<td>Foreign exchange movements</td>
<td>(2,406)</td>
<td>(443)</td>
<td>(145)</td>
<td>(4,602)</td>
<td>(7,596)</td>
</tr>
<tr>
<td>At December 31, 2018</td>
<td>36,043</td>
<td>6,846</td>
<td>2,239</td>
<td>85,479</td>
<td>130,607</td>
</tr>
</tbody>
</table>

#### Accumulated amortization

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Brand, trademarks &amp; domain names</th>
<th>Customer relationships</th>
<th>Development costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At December 31, 2016</td>
<td>-</td>
<td>(689)</td>
<td>(256)</td>
<td>(3,985)</td>
<td>(4,930)</td>
</tr>
<tr>
<td>Amortization for year</td>
<td>-</td>
<td>(745)</td>
<td>(272)</td>
<td>(6,315)</td>
<td>(7,332)</td>
</tr>
<tr>
<td>Transfers</td>
<td>-</td>
<td>(67)</td>
<td>-</td>
<td>67</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange movements</td>
<td>-</td>
<td>(103)</td>
<td>(37)</td>
<td>(616)</td>
<td>(756)</td>
</tr>
<tr>
<td>At December 31, 2017</td>
<td>-</td>
<td>(1,604)</td>
<td>(565)</td>
<td>(10,849)</td>
<td>(13,018)</td>
</tr>
<tr>
<td>Amortization for year</td>
<td>-</td>
<td>(459)</td>
<td>(1,057)</td>
<td>(14,683)</td>
<td>(16,199)</td>
</tr>
<tr>
<td>Transfers</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange movements</td>
<td>-</td>
<td>123</td>
<td>96</td>
<td>1,736</td>
<td>1,955</td>
</tr>
<tr>
<td>At December 31, 2018</td>
<td>-</td>
<td>(1,940)</td>
<td>(1,526)</td>
<td>(23,796)</td>
<td>(27,262)</td>
</tr>
</tbody>
</table>

#### Net book value

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Brand, trademarks &amp; domain names</th>
<th>Customer relationships</th>
<th>Development costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At December 31, 2017</td>
<td>38,449</td>
<td>5,685</td>
<td>1,819</td>
<td>28,088</td>
<td>74,041</td>
</tr>
<tr>
<td>At December 31, 2018</td>
<td>36,043</td>
<td>4,906</td>
<td>713</td>
<td>61,683</td>
<td>103,345</td>
</tr>
</tbody>
</table>

Included within development costs is $205,000 (2017: $666,000) of assets that are under the course of construction. Amortization of this will commence once they have been brought into use.

Development costs relate to capitalized development expenses relating to development of internal software and developments of the Farfetch websites.

Additions to goodwill, brands, trademarks & domain names and customer relationships in 2017 arose due to business combinations. See note 5.

Amortization for all intangible assets is all recorded in selling, general and administrative expenses.

Goodwill reflects the amount of consideration in excess of the fair value of net assets of business combinations. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Goodwill has been allocated to the following CGUs. For details regarding additions to goodwill refer to note 5.

<table>
<thead>
<tr>
<th>CGU</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketplace</td>
<td>17,916</td>
<td>16,368</td>
</tr>
<tr>
<td>Browns – Platform</td>
<td>20,533</td>
<td>19,675</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>38,449</td>
<td>36,043</td>
</tr>
</tbody>
</table>

* Only two of the Group’s CGUs have goodwill allocated.
The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs and the group of units. The growth rates are based on industry growth forecasts.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years.

The key assumptions for the value in use calculations are the long term growth rate applied to year five onwards and the discount rates. The Group extrapolates the cash flows in the fifth year based on an estimated growth rate of 2% (2017: 2%). This rate does not exceed the average long-term growth rate for the relevant markets. The pre-tax rate used to discount the forecast cash flows ranges from 9.7% to 11.8% (2017: 10.9% to 12.3%). The pre-tax discount rate applied is derived from a market participant’s weighted average cost of capital. The assumptions used in the calculation of the Group’s weighted average cost of capital are benchmarked to externally available data.

Management has performed sensitivities on key assumptions and based upon these believe that there are no reasonably possible changes that could create an impairment.

### 16. Property, plant and equipment

<table>
<thead>
<tr>
<th>Cost</th>
<th>Leasehold improvements</th>
<th>Fixtures and fittings</th>
<th>Motor vehicles</th>
<th>Computer equipment</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At December 31, 2016</strong></td>
<td>14,612</td>
<td>2,211</td>
<td>162</td>
<td>4,319</td>
<td>21,304</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td>7,717</td>
<td>3,230</td>
<td>-</td>
<td>2,000</td>
<td>12,947</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>(249)</td>
<td>(175)</td>
<td>(39)</td>
<td>(364)</td>
<td>(827)</td>
</tr>
<tr>
<td><strong>Transfers</strong></td>
<td>-</td>
<td>(177)</td>
<td>-</td>
<td>177</td>
<td>-</td>
</tr>
<tr>
<td><strong>Foreign exchange movements</strong></td>
<td>1,373</td>
<td>427</td>
<td>19</td>
<td>431</td>
<td>2,250</td>
</tr>
<tr>
<td><strong>At December 31, 2017</strong></td>
<td>23,453</td>
<td>5,516</td>
<td>142</td>
<td>6,563</td>
<td>35,674</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td>16,086</td>
<td>2,083</td>
<td>-</td>
<td>3,318</td>
<td>21,487</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>(1,489)</td>
<td>(211)</td>
<td>(28)</td>
<td>(61)</td>
<td>(1,789)</td>
</tr>
<tr>
<td><strong>Transfers</strong></td>
<td>(1,156)</td>
<td>889</td>
<td>-</td>
<td>101</td>
<td>(166)</td>
</tr>
<tr>
<td><strong>Foreign exchange movements</strong></td>
<td>(1,830)</td>
<td>(501)</td>
<td>(5)</td>
<td>(525)</td>
<td>(2,861)</td>
</tr>
<tr>
<td><strong>At December 31, 2018</strong></td>
<td>35,064</td>
<td>7,776</td>
<td>109</td>
<td>9,396</td>
<td>52,345</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accumulated depreciation</th>
<th>Leasehold improvements</th>
<th>Fixtures and fittings</th>
<th>Motor vehicles</th>
<th>Computer equipment</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At December 31, 2016</strong></td>
<td>(2,260)</td>
<td>(971)</td>
<td>(115)</td>
<td>(2,163)</td>
<td>(5,509)</td>
</tr>
<tr>
<td><strong>Depreciation for year</strong></td>
<td>(1,674)</td>
<td>(972)</td>
<td>(14)</td>
<td>(988)</td>
<td>(3,648)</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>249</td>
<td>171</td>
<td>28</td>
<td>337</td>
<td>785</td>
</tr>
<tr>
<td><strong>Transfers</strong></td>
<td>(98)</td>
<td>61</td>
<td>-</td>
<td>37</td>
<td>-</td>
</tr>
<tr>
<td><strong>Foreign exchange movements</strong></td>
<td>(225)</td>
<td>(151)</td>
<td>(11)</td>
<td>(219)</td>
<td>(606)</td>
</tr>
<tr>
<td><strong>At December 31, 2017</strong></td>
<td>(4,008)</td>
<td>(1,862)</td>
<td>(112)</td>
<td>(2,996)</td>
<td>(8,978)</td>
</tr>
<tr>
<td><strong>Depreciation for year</strong></td>
<td>(4,091)</td>
<td>(1,196)</td>
<td>(14)</td>
<td>(2,037)</td>
<td>(7,338)</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>562</td>
<td>136</td>
<td>28</td>
<td>35</td>
<td>761</td>
</tr>
<tr>
<td><strong>Transfers</strong></td>
<td>-</td>
<td>11</td>
<td>-</td>
<td>(11)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Foreign exchange movements</strong></td>
<td>375</td>
<td>129</td>
<td>4</td>
<td>230</td>
<td>738</td>
</tr>
<tr>
<td><strong>At December 31, 2018</strong></td>
<td>(7,162)</td>
<td>(2,782)</td>
<td>(94)</td>
<td>(4,779)</td>
<td>(14,817)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net book value</th>
<th>Leasehold improvements</th>
<th>Fixtures and fittings</th>
<th>Motor vehicles</th>
<th>Computer equipment</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At December 31, 2017</strong></td>
<td>19,445</td>
<td>3,654</td>
<td>30</td>
<td>3,567</td>
<td>26,696</td>
</tr>
<tr>
<td><strong>At December 31, 2018</strong></td>
<td>27,902</td>
<td>4,994</td>
<td>15</td>
<td>4,617</td>
<td>37,528</td>
</tr>
</tbody>
</table>
Notes to the consolidated financial statements (continued)

Included within leasehold improvements and computer equipment is respectively $6,312,000 and $nil ($6,312,000 and $nil) of assets that are under the course of construction. Depreciation will commence once they have been brought into use.

Depreciation for all property, plant and equipment is all recorded in selling, general and administrative expenses.

17. Investments

Equity investments

In 2018 the Group held minor equity interests worth $566,000 (2017: $278,000). Equity investments are carried at fair value.

Investments in associates

The table below illustrates the summarized financial information of the Group’s investment in Farfetch Finance Limited (“the associate”). The Group holds 25% of issued capital of the associate. The principal activity of the associate is the provision of trade finance and it is incorporated in England & Wales. The associate is accounted for using the equity method.

<table>
<thead>
<tr>
<th>Share of associates net assets</th>
<th>At December 31, 2016</th>
<th>23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of profit after tax</td>
<td></td>
<td>35</td>
</tr>
<tr>
<td>At December 31, 2017</td>
<td></td>
<td>58</td>
</tr>
<tr>
<td>Share of profit after tax</td>
<td></td>
<td>28</td>
</tr>
<tr>
<td>At December 31, 2018</td>
<td></td>
<td>86</td>
</tr>
</tbody>
</table>

18. Share capital and share premium

Ordinary shares issued and fully paid as at December 31, 2018

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Class</th>
<th>Par value</th>
<th>Share capital</th>
<th>Share premium</th>
<th>Merger reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>256,998,920</td>
<td>Class A ordinary shares</td>
<td>$0.04</td>
<td>10,280</td>
<td>726,791</td>
<td>783,529</td>
<td>1,520,600</td>
</tr>
<tr>
<td>42,858,080</td>
<td>Class B ordinary shares</td>
<td>$0.04</td>
<td>1,714</td>
<td>45,509</td>
<td>-</td>
<td>47,223</td>
</tr>
<tr>
<td><strong>299,857,000</strong></td>
<td>**</td>
<td><strong>11,994</strong></td>
<td><strong>772,300</strong></td>
<td><strong>783,529</strong></td>
<td><strong>-</strong></td>
<td><strong>1,567,823</strong></td>
</tr>
</tbody>
</table>

During 2018, 67,410,405 shares were issued. All were fully paid and newly issued Class A ordinary shares principally relating to the IPO and concurrent private placement in September 2018 where 41,608,088 Class A ordinary shares were issued. The nominal value of all shares issued is $0.04 each. Transaction costs related to the IPO and recognized directly in equity amount to $11,914,000. Additionally, 14,961,544 shares in respect of warrants and share options were exercised prior to the IPO and 361,343 share options were exercised following the IPO. In January 2018, there was a series G funding round follow-on where 8,502,500 Class A ordinary shares were issued. Transaction costs recognized directly in equity amount to $36,000. The Browns earn-out was also settled through the issue of 1,976,930 shares in April 2018 which had previously been recognized as a financial liability as the number of shares was variable based on the earn-out mechanism, rather than being a cash-settled liability.

Prior to the IPO, the Group was restructured. The merger reserve resulted from the restructuring. Further detail can be found in note 1.

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Notes to the consolidated financial statements (continued)

**Ordinary shares issued and fully paid as at December 31, 2017**

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Class</th>
<th>Par value</th>
<th>Share capital</th>
<th>Share premium</th>
<th>Merger reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>189,588,515</td>
<td>Class A ordinary shares</td>
<td>$0.04</td>
<td>7,584</td>
<td>632,165</td>
<td>-</td>
<td>639,749</td>
</tr>
<tr>
<td>42,858,080</td>
<td>Class B ordinary shares</td>
<td>$0.04</td>
<td>1,714</td>
<td>45,509</td>
<td>-</td>
<td>47,223</td>
</tr>
<tr>
<td><strong>232,446,595</strong></td>
<td></td>
<td></td>
<td><strong>9,298</strong></td>
<td><strong>677,674</strong></td>
<td>-</td>
<td><strong>686,972</strong></td>
</tr>
</tbody>
</table>

In the year ended December 31, 2017, 36,346,645 shares were issued. All were fully paid. Of these shares, 34,222,510 were newly issued Class A ordinary share from the series G funding round and the remainder 2,124,135 were Class A ordinary shares. The nominal value of all shares issued is $0.04 each. Transaction costs recognized directly in equity amounted to $414,000.

Each ordinary share and preferred share shall rank equally for any dividends paid. On a liquidation event the holder of preferred shares will have the priority on the available assets. Each ordinary and class of preferred shares shall rank equally in relation to voting rights.

19. **Reserves**

<table>
<thead>
<tr>
<th></th>
<th>Foreign exchange reserve</th>
<th>Warrant reserve</th>
<th>Changes in ownership</th>
<th>Share based payments</th>
<th>Cashflow hedge reserve</th>
<th>Merger relief reserve</th>
<th>Accumulated losses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At December 31, 2015</strong></td>
<td>(6,771)</td>
<td>338</td>
<td>(8,666)</td>
<td>12,437</td>
<td>-</td>
<td>-</td>
<td>(128,475)</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Movement in foreign exchange reserve</td>
<td>(27,322)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(81,414)</td>
</tr>
<tr>
<td>Warrants issued</td>
<td>-</td>
<td>409</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Transactions with non-controlling interests</td>
<td>1,222</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Share based payments - equity settled</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(7,012)</td>
</tr>
<tr>
<td><strong>At December 31, 2016</strong></td>
<td>(32,871)</td>
<td>747</td>
<td>(8,666)</td>
<td>27,776</td>
<td>-</td>
<td>-</td>
<td>(216,901)</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Movement in foreign exchange reserve</td>
<td>33,504</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Transactions with non-controlling interests</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,161</td>
<td></td>
</tr>
<tr>
<td>Share based payments - equity settled</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(7,012)</td>
</tr>
<tr>
<td><strong>At December 31, 2017</strong></td>
<td>633</td>
<td>747</td>
<td>(8,666)</td>
<td>44,233</td>
<td>-</td>
<td>2,161</td>
<td>(329,177)</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(155,575)</td>
</tr>
<tr>
<td>Movement in foreign exchange reserve</td>
<td>(24,142)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Movement in cash flow hedge reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>436</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Share based payments - equity settled</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,563</td>
<td>-</td>
<td>1,395</td>
</tr>
<tr>
<td><strong>At December 31, 2018</strong></td>
<td>(23,509)</td>
<td>747</td>
<td>(8,666)</td>
<td>72,796</td>
<td>436</td>
<td>2,161</td>
<td>(483,357)</td>
</tr>
</tbody>
</table>

The foreign exchange reserve represents the cumulative exchange differences on the translation of the Group’s overseas subsidiaries into the Group’s presentational currency.

The warrant reserve represents the cumulative expense of the shares to be issued where the Group has issued warrants.

The changes in ownership reserve represents transactions with former non-controlling interests of the Group.

The share based payment reserve represents the Group’s cumulative equity settled share option expense. On exercise, the cumulative share option expense is reclassified to accumulated losses.

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The cash flow hedge reserve is used to recognize the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges.

The merger relief reserve represents the excess over nominal share capital where there has been share consideration as part of a business combination.

Accumulated losses represent the cumulative gains and losses recorded in the statement of operations.

20. **Group information**

At December 31, 2018, the Company’s subsidiaries were as follows:

<table>
<thead>
<tr>
<th>Direct Holdings</th>
<th>Company name</th>
<th>Country of incorporation</th>
<th>% equity interest</th>
<th>Principal activities</th>
</tr>
</thead>
</table>
|                 | Farfetch.com Limited | Isle of Man             | 100               | 100                          | Holding company

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### Notes to the consolidated financial statements (continued)

#### Indirect Holdings

<table>
<thead>
<tr>
<th>Company name</th>
<th>Country of incorporation</th>
<th>% equity interest</th>
<th>Principal activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farfetch UK Limited</td>
<td>England &amp; Wales</td>
<td>100 100</td>
<td>Marketing, providing editorial and merchant services</td>
</tr>
<tr>
<td>FFBR importação e exportação Ltda*</td>
<td>Brazil</td>
<td>100 100</td>
<td>Import &amp; Export Agent for Farfetch</td>
</tr>
<tr>
<td>Farfetch.com Brasil Servicos LTDA**</td>
<td>Brazil</td>
<td>100 100</td>
<td>E-commerce, marketing and editorial services</td>
</tr>
<tr>
<td>Farfetch.com US LLC</td>
<td>USA</td>
<td>100 100</td>
<td>E-commerce and marketing</td>
</tr>
<tr>
<td>Farfetch-Portugal Unipessoal LDA</td>
<td>Portugal</td>
<td>100 100</td>
<td>Back office support</td>
</tr>
<tr>
<td>Farfetch HK Holdings Limited</td>
<td>Hong Kong</td>
<td>100 100</td>
<td>Holding Company</td>
</tr>
<tr>
<td>Browns (South Molton Street) Limited</td>
<td>England &amp; Wales</td>
<td>100 100</td>
<td>Retail</td>
</tr>
<tr>
<td>Farfetch Japan Co Ltd</td>
<td>Japan</td>
<td>100 100</td>
<td>E-commerce and marketing</td>
</tr>
<tr>
<td>LASO.CO.LTD</td>
<td>Japan</td>
<td>100 100</td>
<td>E-commerce and marketing</td>
</tr>
<tr>
<td>Farfetch China (HK Holdings) Limited</td>
<td>Hong Kong</td>
<td>100 100</td>
<td>Holding company</td>
</tr>
<tr>
<td>Farfetch (Shanghai) E-Commerce Co. Ltd</td>
<td>China</td>
<td>100 100</td>
<td>E-commerce services</td>
</tr>
<tr>
<td>Farfetch HK Production Limited</td>
<td>Hong Kong</td>
<td>100 100</td>
<td>E-commerce and marketing</td>
</tr>
<tr>
<td>Farfetch Store of the Future Limited</td>
<td>England &amp; Wales</td>
<td>100 100</td>
<td>E-commerce services</td>
</tr>
<tr>
<td>Fashion Concierge UK Limited</td>
<td>England &amp; Wales</td>
<td>100 100</td>
<td>E-commerce services</td>
</tr>
<tr>
<td>F&amp;C Fashion Concierge, LDA</td>
<td>Portugal</td>
<td>100 100</td>
<td>Dormant</td>
</tr>
<tr>
<td>Farfetch Black &amp; White Limited</td>
<td>England &amp; Wales</td>
<td>100 100</td>
<td>E-commerce services</td>
</tr>
<tr>
<td>Farfetch International Limited</td>
<td>Isle of Man</td>
<td>100 100</td>
<td>Holding company</td>
</tr>
<tr>
<td>Farfetch México, S.A de C.V***</td>
<td>Mexico</td>
<td>100 100</td>
<td>Back office support</td>
</tr>
<tr>
<td>Fashion Concierge Powered By Farfetch, LLC</td>
<td>USA</td>
<td>100 100</td>
<td>E-commerce services</td>
</tr>
<tr>
<td>Farfetch India Private Limited****</td>
<td>India</td>
<td>100 100</td>
<td>Back office support</td>
</tr>
<tr>
<td>Farfetch Middle East FZE</td>
<td>UAE</td>
<td>100 100</td>
<td>Back office support</td>
</tr>
<tr>
<td>Farfetch Italia S.R.L.</td>
<td>Italy</td>
<td>100 100</td>
<td>Back office support</td>
</tr>
<tr>
<td>Farfetch Australia Pty Ltd</td>
<td>Australia</td>
<td>100 100</td>
<td>Back office support</td>
</tr>
<tr>
<td>Farfetch US Holdings, INC</td>
<td>USA</td>
<td>100 100</td>
<td>Holding Company</td>
</tr>
<tr>
<td>Fashion Concierge HK Limited</td>
<td>Hong Kong</td>
<td>100 100</td>
<td>E-commerce services</td>
</tr>
<tr>
<td>Farfetch Finance Limited</td>
<td>England &amp; Wales</td>
<td>25 25</td>
<td>Finance</td>
</tr>
<tr>
<td>Yankee Merger Sub, LLC</td>
<td>USA</td>
<td>100 100</td>
<td>Merger Company for acquisition</td>
</tr>
</tbody>
</table>

* Owned by Farfetch.com Limited (99.9%) and Farfetch UK Limited (0.1%)

** Owned by Farfetch.com Limited (99.9995%) and Farfetch UK Limited (0.0005%)

*** Owned by Farfetch.com Limited (1%) and Farfetch UK Limited (99%)

**** Owned by Farfetch.com Limited (0.1%) and Farfetch UK Limited (99.9%)

21. **Non-controlling interests**

On January 11, 2017, the Group acquired the remaining 0.1% of FFBR importação e exportação Ltda that it did not already own.

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Notes to the consolidated financial statements (continued)

The effect of changes in the ownership interest of the Group on the equity attributable to owners of the company during the year and prior year is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance brought forward</td>
<td>-1</td>
<td>-</td>
</tr>
<tr>
<td>Transactions with non-controlling interests</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Loss attributable to non-controlling interests</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

22. Trade and other payables

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>73,992</td>
<td>96,176</td>
</tr>
<tr>
<td>Other payables</td>
<td>713</td>
<td>350</td>
</tr>
<tr>
<td>Social security and other taxes</td>
<td>6,646</td>
<td>6,194</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>666</td>
<td>1,514</td>
</tr>
<tr>
<td>Accruals and deferred revenue</td>
<td>54,727</td>
<td>89,924</td>
</tr>
<tr>
<td></td>
<td>136,744</td>
<td>194,158</td>
</tr>
</tbody>
</table>

23. Warrants

During 2016, the Group issued warrants, which are linked to the $20m of Promissory notes issued in 2016, which were subsequently repaid in 2017.

<table>
<thead>
<tr>
<th>Date of issue</th>
<th>Number of shares</th>
<th>Warrant price</th>
<th>Expiration date</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 3, 2016</td>
<td>122,935</td>
<td>$6.15</td>
<td>12 years from issue date</td>
</tr>
<tr>
<td>August 1, 2016</td>
<td>33,530</td>
<td>$6.15</td>
<td>12 years from issue date</td>
</tr>
<tr>
<td>December 23, 2016</td>
<td>33,530</td>
<td>$6.15</td>
<td>12 years from issue date</td>
</tr>
</tbody>
</table>

As at December 31, 2018, all warrants above remain unexercised.


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td>1,834</td>
<td>2,165</td>
<td>2,101</td>
<td>2,977</td>
<td>3,935</td>
<td>5,142</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional provision in the year</td>
<td>406</td>
<td>1,263</td>
<td>1,012</td>
<td>6,614</td>
<td>1,418</td>
<td>7,877</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from trade and other payables</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,182</td>
<td>-</td>
<td>2,182</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Release of provision in the year</td>
<td>- (815)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(815)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(75)</td>
<td>(98)</td>
<td>(136)</td>
<td>(826)</td>
<td>(211)</td>
<td>(924)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At December 31</td>
<td>2,165</td>
<td>2,515</td>
<td>2,977</td>
<td>10,947</td>
<td>5,142</td>
<td>13,462</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The dilapidations provision reflects the best estimate of the cost to restore leasehold property in line with the Group’s contractual obligations. Based on a detailed analysis the Group has estimated a liability of $2,515,000 (2017: $2,165,000). In estimating the liability the Group has made assumptions which are based on past experience. Assuming the leases are not extended, the Group expects the economic outflows to match the contractual end date of Group leases. The Group leases have an average length of six years with an average of four years remaining.

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The share based payments employment taxes provision reflects the best estimate of the cost to settle employment related taxes on the Group share based payments based on the most recent share price and the number of share options expected to vest where the Group has an obligation to settle employment related taxes. The Group has estimated a liability of $10,947,000 (2017: $2,977,000). When a share option is exercised, the liability for employment related taxes crystalizes. During 2018, $2,182,000 (2017: $nil) was transferred from provisions to trade and other payables. As at December 31, 2018 none of the amount in trade and other payables had been utilized (2017: $nil). We expect the provision to be fully utilized in 9.54 years (2017: 8.00 years) being the weighted average remaining contracted life of options outstanding at year end. It is likely that this provision will be utilized over a shorter period. However, this is dependent on when the option holder exercises which the Group is not in control of.

25. Deferred tax

As a result of the purchase price allocation exercise arising from the acquisition of Style.com a deferred tax liability of $719,000 has been recognized in 2017 as a temporary difference. Refer to note 5.

<table>
<thead>
<tr>
<th>Deferred tax liabilities</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td></td>
<td>493</td>
</tr>
<tr>
<td>Deferred tax recognized on acquisition</td>
<td></td>
<td>719</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td></td>
<td>91</td>
</tr>
<tr>
<td>Released to profit or loss</td>
<td></td>
<td>(224)</td>
</tr>
<tr>
<td><strong>At December 31</strong></td>
<td></td>
<td>1,079</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred tax assets</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>At January 1</td>
<td></td>
<td>493</td>
</tr>
<tr>
<td>Deferred tax recognized</td>
<td></td>
<td>719</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td></td>
<td>91</td>
</tr>
<tr>
<td>Released to profit or loss</td>
<td></td>
<td>(224)</td>
</tr>
<tr>
<td><strong>At December 31</strong></td>
<td></td>
<td>1,079</td>
</tr>
<tr>
<td>Deferred tax, net</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>At December 31</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A deferred tax asset has been recognized in 2017 following the acquisition of Style.com (note 5) equal to and to fully offset the deferred tax liability.

Deferred tax assets have been offset against deferred tax liabilities because they are in the same jurisdiction.
Unrecognized deferred tax assets

Unutilized trading tax losses

The Group has accumulated unutilized tax losses carried forward as at December 31, 2018 of $382m (2017: $232m). A net deferred tax asset is only recognized where it can be shown that it is probable that future taxable profits will be available against which the Group can utilize the asset. Subject to specific legislation regarding changes in ownership and the nature of trade, trading losses are available to be either carried forward indefinitely or for a significant time period.

<table>
<thead>
<tr>
<th>Local currency</th>
<th>2017</th>
<th>2017</th>
<th>2018</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local 'm</td>
<td>$'m</td>
<td>Local 'm</td>
<td>$'m</td>
</tr>
<tr>
<td>UK trading losses</td>
<td>GBP</td>
<td>136</td>
<td>184</td>
<td>259</td>
</tr>
<tr>
<td>US Net Operating Losses (“NOL”)</td>
<td>USD</td>
<td>29</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td>Brazil trading losses</td>
<td>BRL</td>
<td>42</td>
<td>13</td>
<td>49</td>
</tr>
<tr>
<td>Japan trading losses</td>
<td>JPY</td>
<td>463</td>
<td>4</td>
<td>274</td>
</tr>
<tr>
<td>Hong Kong trading losses</td>
<td>HKD</td>
<td>16</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>686</td>
<td>232</td>
<td>630</td>
</tr>
</tbody>
</table>

UK trading losses are available to be carried forward indefinitely. Legislation has been introduced with effect from April 1, 2017 whereby losses arising after April 1, 2017 can be set against total profits of the company. The amount of total profits that can be offset by brought forward losses is restricted to the first £5m of profits, and an additional 50% of profits that exceed £5.0m.

US Net Operating Losses as at December 31, 2017 ($29m) are available to be carried forward for a period of 20 years. The carry forward NOLs start to expire in different years, the first of which is December 31, 2030. NOLs generated after January 1, 2018 ($5m) have an indefinite carry forward period but are subject to an 80% limitation per year.

Brazilian, Japanese and Hong Kong trading losses as at December 31, 2018 are available to be carried forward indefinitely but utilization of losses in respect of Brazil and Japan are restricted to 30% and 50% respectively against taxable income in future taxable periods.

Unutilized future tax deductions on employee share option gains

The Group has an unrecognized gross deferred tax asset of approximately $212m in respect of a future tax deduction on share options that are unexercised as at 31 December 2018 that when exercised will result in a gain and a potential deduction for corporation tax purposes. A net deferred tax asset is only recognized where it can be shown that it is probable that future taxable profits will be available against which the Group can utilize the asset.

26. Commitments and guarantees

Consolidated

Future minimum lease payments under non-cancellable operating leases as at the year end were:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>No later than one year</td>
<td>11,929</td>
<td>15,820</td>
</tr>
<tr>
<td>Later than one year not later than three years</td>
<td>20,297</td>
<td>26,599</td>
</tr>
<tr>
<td>Later than three year not later than five years</td>
<td>11,251</td>
<td>22,584</td>
</tr>
<tr>
<td>Later than five years</td>
<td>22,656</td>
<td>38,031</td>
</tr>
<tr>
<td></td>
<td>66,133</td>
<td>103,034</td>
</tr>
</tbody>
</table>
Notes to the consolidated financial statements (continued)

The Group’s operating leases relate to motor vehicles and property leases for the various office, production and retail stores that the Group has. There is no contingent rent (2017: none). Several leases have a right to renew at the end of the lease term.

There are no contingent liabilities (2017: none).

27. Related party disclosures

Platforme International Limited is a related party of J M F Neves. The Group generated commission of $557,000 (2017: $248,000) from Platforme International Limited. The Group had a $13,000 receivable in 2018 (2017: $70,000 receivable).

Total compensation and benefits in kind (excluding share-based payments) to key management personnel amounted to $1,284,000 (2017: $1,200,000). In addition to this, there was share based payment compensation of $7,869,000 (2017: $1,900,000).

Conde Nast is a related party by virtue of its shareholding in the Group. The Group incurred marketing expenditure of $346,000 (2017: nil) and had a $19,000 payable in 2018 (2017: nil).

Until October 21, 2017, when Fashion Concierge UK Limited was acquired, see note 5, the Group made sales totaling, $110,000 to Fashion Concierge UK Limited. This was a related party of J M F Neves.

The acquisition of the business of Style.com (note 5) was a related party transaction because the former owners of Style.com Conde Nast, are also a shareholder of the Group. Jonathan Newhouse, the current chairman and chief executive of Conde Nast International is also a director of Farfetch.com Limited.

The Group’s ultimate controlling party is J M F Neves by virtue of holding the majority of voting rights in the Group.

28. Financial instruments and financial risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns. All debt has been settled in 2017. The capital structure of the Group throughout 2017 consisted of net cash (borrowings disclosed in note 23) and equity of the Group (comprising issued capital, reserves, accumulated losses and non-controlling interests as disclosed in notes 18, 19 and 21). At December 31, 2017 and 31 December 2018, the capital structure consisted solely of equity. The Group is not subject to any externally imposed capital requirements.

The Group is exposed to risks which arise from the probability of changes in the fair value of the future cash flows deriving from a financial instrument due to fluctuations in market prices. The Group has identified two principal risks being market risk (foreign exchange) and liquidity risk.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognizing inventory at the fixed foreign currency rate for the hedged purchases.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

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Notes to the consolidated financial statements (continued)

Categories of financial instruments

Financial assets

<table>
<thead>
<tr>
<th>Category</th>
<th>Amortized cost 2017</th>
<th>Amortized cost 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>5,294</td>
<td>48,285</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>384,002</td>
<td>1,044,786</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>9,193</td>
<td>10,458</td>
</tr>
<tr>
<td>Total</td>
<td>398,489</td>
<td>1,103,529</td>
</tr>
<tr>
<td>Foreign currency forwards - held at FVTPL</td>
<td>185</td>
<td>255</td>
</tr>
<tr>
<td>Foreign currency forwards - held as cash flow hedges</td>
<td>-</td>
<td>436</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>185</td>
<td>691</td>
</tr>
</tbody>
</table>

Financial liabilities

<table>
<thead>
<tr>
<th>Category</th>
<th>Amortized cost 2017</th>
<th>Amortized cost 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>73,992</td>
<td>96,176</td>
</tr>
<tr>
<td>Other payables</td>
<td>713</td>
<td>350</td>
</tr>
<tr>
<td>Total</td>
<td>74,705</td>
<td>96,526</td>
</tr>
</tbody>
</table>

Fair value through profit or loss

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingent consideration</td>
<td>19,146</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>19,146</td>
<td>-</td>
</tr>
</tbody>
</table>

Financial risk management objectives

The Group’s Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimize the effects of these risks, where appropriate, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group’s policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk and the use of derivatives. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.
Notes to the consolidated financial statements (continued)

Market risk

The Group’s activities expose it primarily to the financial risk of changes in foreign currency exchange rates (see table below). The Group enters into derivative financial instruments to manage its exposure to foreign currency risk.

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Group uses forward currency contracts to hedge its foreign currency risks. Where the criteria for hedge accounting are not met, derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value with movements recorded to the statement of operations. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Where all relevant criteria are met, hedge accounting is applied to minimize earnings volatility.

<table>
<thead>
<tr>
<th>Financial assets/(liabilities) at fair value through profit or loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Derivative financial asset/(liability)</td>
</tr>
</tbody>
</table>

Liquidity risk

The Group monitors its liquidity risk to maintain a balance between continuity of funding and flexibility. This helps the Group achieve timely fulfilment of its obligations while sustaining the growth of the business.

The table below analyses the Group’s financial liabilities into relevant groupings based on the remaining period from the reporting date to the contractual maturity date. Amounts due within 12 months equal their carrying balances, as the impact of discounting is not significant.

All derivative financial instruments have a maturity of less than 12 months.

<table>
<thead>
<tr>
<th></th>
<th>Less than one year</th>
<th>Less than one year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>74,705</td>
<td>96,526</td>
</tr>
<tr>
<td>Contingent consideration</td>
<td>19,146</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>93,851</td>
<td>96,526</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contingent consideration</th>
<th>More than one year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>-</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
</tr>
</tbody>
</table>

Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer to meet its obligations under a contract. Due to the nature of operations the Group does not have significant exposure to credit risk.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. The Group applies a loss allowance to trade and other receivables. As at December 31, 2018 all trade and other receivables were considered current being due within 30 days. The expected loss rate the Group applies for trade and other receivables is 0.5%.
Notes to the consolidated financial statements (continued)

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period which were not significant. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The majority of the Group’s cash and cash equivalents balance is held in money market funds which are regulated by securities and market authorities. These consist of AAA rated mutual investment funds which are permitted to diversify portfolio investments through high quality debt securities meeting regulatory mandated requirements. As such, the Group is not exposed to any material credit risk in relation to the cash and cash equivalents balance.

Capital risk management

The Group’s objective when managing capital is to safeguard the Group’s ability to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. At December 31, 2018, the Group does not hold any restricted cash (2017: $nil).

The Group is not subject to any externally imposed capital requirements. The capital structure is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total borrowings</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less: cash and cash equivalents</td>
<td>(384,002)</td>
<td>(1,044,786)</td>
</tr>
<tr>
<td>Net cash</td>
<td>(384,002)</td>
<td>(1,044,786)</td>
</tr>
<tr>
<td>Total equity</td>
<td>396,903</td>
<td>1,128,431</td>
</tr>
<tr>
<td>Total capital</td>
<td>12,901</td>
<td>83,645</td>
</tr>
</tbody>
</table>

The main purpose of the Group’s financial instruments is to finance the Group’s operations.

The main risks from the Group’s financial instruments are currency risk and liquidity risk. The Board reviews and agrees policies, which have remained substantially unchanged for the year under review, for managing these risks.

Fair value hierarchy

Financial instruments carried at fair value are categorized into the below levels, reflecting the significance of the inputs used in estimating the fair values:

Level 1: Quoted prices (unadjusted) in active markets for identical instruments;

Level 2: Valuation techniques based on observable inputs, other than quoted prices included within level 1, that are observable either directly or indirectly from market data;

Level 3: Valuation techniques using significant unobservable inputs, this category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation.

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The Group recognizes the following financial instruments at fair value:

- derivative financial instruments, measured using a level 2 valuation method; and
- contingent consideration, measured using a level 2 valuation method.

The valuation of contingent consideration in 2017 was based upon the share price of the Group, which is deemed to be observable. As there was no quoted price the share price applied was from the most recent, pre-IPO, funding round, being Series G. The Group recognized net losses of $3,313,000 in 2017 when remeasuring the above to their fair values.

Financial instruments sensitivity analysis

In managing currency risk the Group aims to reduce the impact of short term fluctuations on its earnings. At the end of each reporting year, the effects of hypothetical changes in currency are as follows.

Foreign exchange rate sensitivity analysis

The table below shows the Group’s sensitivity to United States dollars strengthening/weakening by 10%:

<table>
<thead>
<tr>
<th>Increase/ (decrease) in profit or loss</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% appreciation of United States dollars</td>
<td>7,576</td>
<td>29,169</td>
</tr>
<tr>
<td>10% depreciation of United States dollars</td>
<td>(9,260)</td>
<td>(35,651)</td>
</tr>
</tbody>
</table>

This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting year. The analysis assumes that all other variables, in particular interest rates, remain constant.

29. Share options equity and cash settled

The Group has four equity settled share option plans (section a) and a cash settled share option plan (section b).

a. Equity settled

During the year ended December 31, 2018, the Group had four equity settled share based payment plans which are described below.

<table>
<thead>
<tr>
<th>Type of arrangement</th>
<th>EMI approved share option plan</th>
<th>Unapproved share option plan</th>
<th>LTIP 2015 plan</th>
<th>LTIP 2018 plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of first grant</td>
<td>November 1, 2011</td>
<td>July 1, 2011</td>
<td>September 9, 2015</td>
<td>September 20, 2018</td>
</tr>
<tr>
<td>Number granted</td>
<td>5,505,600</td>
<td>11,332,835</td>
<td>38,174,980</td>
<td>3,465,915</td>
</tr>
<tr>
<td>Contractual life</td>
<td>10 years</td>
<td>10 years</td>
<td>10 years</td>
<td>10 years</td>
</tr>
<tr>
<td>Vesting conditions</td>
<td>Varying tranches of options</td>
<td>Varying tranches of options</td>
<td>Varying tranches of options</td>
<td>Varying tranches of options</td>
</tr>
<tr>
<td></td>
<td>vesting upon defined years of</td>
<td>vesting upon defined years</td>
<td>vesting upon defined years</td>
<td>and Restricted Stock Units</td>
</tr>
<tr>
<td></td>
<td>service</td>
<td>of service</td>
<td>of service with certain awards</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>having non-market conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(RSU) vesting upon defined</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>years of service</td>
<td></td>
</tr>
</tbody>
</table>

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Notes to the consolidated financial statements (continued)

Movements on the share options were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options at beginning of year</td>
<td>16,611,310</td>
<td>17,522,365</td>
<td>32,307,010</td>
</tr>
<tr>
<td>Options granted</td>
<td>6,128,555</td>
<td>15,666,155</td>
<td>18,209,410</td>
</tr>
<tr>
<td>Options exercised</td>
<td>(2,510,570)</td>
<td>(198,525)</td>
<td>(3,032,571)</td>
</tr>
<tr>
<td>Options forfeited</td>
<td>(2,706,930)</td>
<td>(682,985)</td>
<td>(3,265,035)</td>
</tr>
<tr>
<td>Options exercisable at end of year</td>
<td>17,522,365</td>
<td>32,307,010</td>
<td>44,218,814</td>
</tr>
</tbody>
</table>

Weighted average exercise prices were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options at beginning of year</td>
<td>$0.76</td>
<td>$2.01</td>
<td>$4.43</td>
</tr>
<tr>
<td>Options granted</td>
<td>$3.34</td>
<td>$7.10</td>
<td>$9.84</td>
</tr>
<tr>
<td>Options forfeited</td>
<td>$0.57</td>
<td>$6.71</td>
<td>$7.31</td>
</tr>
<tr>
<td>Options exercised</td>
<td>$0.08</td>
<td>$0.08</td>
<td>$2.38</td>
</tr>
<tr>
<td>Options at end of year</td>
<td>$2.01</td>
<td>$4.43</td>
<td>$6.15</td>
</tr>
<tr>
<td>Options exercisable at year end</td>
<td>$1.08</td>
<td>$1.59</td>
<td>$2.33</td>
</tr>
</tbody>
</table>

Weighted average remaining contracted life of options outstanding at year end

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options at beginning of year</td>
<td>7.67 years</td>
<td>8.00 years</td>
<td>9.54 years</td>
</tr>
</tbody>
</table>

Exercise price of options outstanding at year end

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.00 to $0.08</td>
<td>6,090,695</td>
<td>5,868,735</td>
<td>4,416,525</td>
</tr>
<tr>
<td>$0.09 to $0.56</td>
<td>5,581,825</td>
<td>5,581,825</td>
<td>2,126,540</td>
</tr>
<tr>
<td>$0.57 to $3.52</td>
<td>5,002,505</td>
<td>6,302,505</td>
<td>4,595,104</td>
</tr>
<tr>
<td>$3.53 to $5.73</td>
<td>847,340</td>
<td>8,589,445</td>
<td>6,257,690</td>
</tr>
<tr>
<td>$5.74 to $7.39</td>
<td>-</td>
<td>5,964,500</td>
<td>7,890,495</td>
</tr>
<tr>
<td>$7.40 to $20.00</td>
<td>-</td>
<td>-</td>
<td>18,932,460</td>
</tr>
<tr>
<td>Options exercisable at year end</td>
<td>17,522,365</td>
<td>32,307,010</td>
<td>44,218,814</td>
</tr>
</tbody>
</table>

Weighted average fair value of options granted in year

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.43</td>
<td>$2.41</td>
<td>$4.17</td>
<td></td>
</tr>
</tbody>
</table>

Weighted average share price at the date of exercise for options exercised during the year ended December 31, 2018 was $20.00 (2017: $9.42).

Inputs in the Black Scholes model for share options granted during the year and prior year were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black Scholes model</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average share price</td>
<td>$6.15</td>
<td>$9.87</td>
<td>$11.83</td>
</tr>
<tr>
<td>Weighted average exercise price</td>
<td>$3.34</td>
<td>$7.10</td>
<td>$9.84</td>
</tr>
<tr>
<td>Average expected volatility</td>
<td>20%</td>
<td>20%</td>
<td>23%</td>
</tr>
<tr>
<td>Expected life</td>
<td>4 years</td>
<td>4 years</td>
<td>4 years</td>
</tr>
<tr>
<td>Risk free rate</td>
<td>1.40%</td>
<td>1.85%</td>
<td>2.75%</td>
</tr>
<tr>
<td>Expected dividends</td>
<td>$nil</td>
<td>$nil</td>
<td>$nil</td>
</tr>
</tbody>
</table>

Expected volatility was determined with reference to historical volatility of publicly traded peer companies.
The expected life in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

The Group recognized total expenses of $34,668,000, $16,667,000 and $17,256,000 related to equity-settled share based payment transactions in 2018, 2017 and 2016 respectively.

b. Cash settled

Since 2016 the Group issues to certain employees share appreciation rights ("SARs") that require the Group to pay the intrinsic value of the SAR to the employee at the date of exercise. The Group has recorded liabilities of $15,342,000 in 2018 ($5,123,000 in 2017) through the grant of 769,000 SARs (2017: 222,696 SARs).

The fair value of the SARs is determined by using the Black Scholes model using the same assumptions noted in the above table for the Group’s equity-settled share based payments. The fair value of the liability is then reassessed at each reporting date. Included in the 2018 expense of $10,355,000 (2017: $3,807,000, 2016: $1,178,000), is a revaluation gain of $6,079,000 (2017: gain of $2,071,000). The total intrinsic value at December 31, 2018 was $19,425,000 (2017: $7,362,000) of which $8,722,000 is fully vested (2017: $2,965,000).

30. Events after the reporting year

On January 4, 2019, Farfetch Limited completed the acquisition of 100% of outstanding shares of Stadium Goods, the premier sneaker and streetwear marketplace with total consideration of $240,200,000. The Group expects to benefit from Stadium Goods’ brand, access to supply, and a team which will join the Group, bringing with them a strong passion for, and knowledge of, luxury streetwear. The consideration payable by the Group is in the form of cash and Farfetch Limited shares. The consideration payable was split as $150,200,000 of cash, and 4,641,554 Class A Ordinary Shares with a value of $90,000,000 based on the Farfetch share price at the acquisition date.

The transaction will be accounted for as a business combination under IFRS 3. Of the $90,000,000 share consideration, $58,100,000 includes a service condition for certain members of the Stadium Goods management team remaining with the Group over a four-year period. This does not satisfy the IFRS 3 definition of consideration and will be recognized as an expense in the statement of operations over the four-year service period as a share-based payment expense. Therefore, under IFRS 3, the consideration is $182,100,000 consisting of $150,200,000 cash consideration and $31,900,000 share consideration, none of which is contingent on future performance or service conditions.

Based on our preliminary purchase price allocation, which we expect to complete in Q1 2019 following finalization of the work, the total accounting consideration of $182,100,000, relates to the following: Net identified liabilities acquired of $8,900,000, comprising $2,400,000 of non-current assets, $(100,000) of net working capital, $800,000 of inventory, and $12,000,000 of provisions for withholding and sales taxes. $221,400,000 is allocated to goodwill and identifiable intangible assets acquired, comprising goodwill of $104,500,000 and the Stadium Goods Brand name of $116,900,000. Finally, there is a deferred tax liability of $30,400,000 in respect of the brand name.

Goodwill consists of expected synergies to be achieved by combining the operations of Stadium Goods with the Group, as well as other intangible assets that do not qualify for separate recognition under IFRS 3. Goodwill is not expected to be deductible for tax purposes.

In January 2019, the functional currency of Farfetch UK Limited, the Group’s primary trading entity, changed from pound sterling to U.S dollar. This was a result of a gradual change in the primary economic environment in which Farfetch UK Limited operates driven by the growth of consumers where the Group receives U.S. Dollars in settlement. This is combined with an increase in costs influenced by movements in the U.S dollar. The Group’s corporate treasury function continually monitors the Group’s exposure to foreign currencies movements, as described in note 28. Following the gradual change described above, the Group determined that, whilst Farfetch UK Limited is exposed to movements in several key currencies including U.S dollars, euros and
pound sterling, on reviewing Farfetch UK Limited’s expected receipts and expenses, U.S dollars had become the dominant currency from January 2019. This has hence triggered a change in functional currency.

On February 26, 2019, the Group entered into an Asset Purchase Agreement with Shanghai Yuanmai Trading Co., Ltd. to purchase “Level 1 Access” to the JD.com app, Toplife customer data, certain intellectual property and certain non-current assets for cash consideration of $50 million. The transaction will be accounted for as a business combination under IFRS 3 with the assets acquired constituting a business as defined by IFRS 3. Given the timing of the transaction, the Group is still finalizing the purchase price allocation and expects this to be completed by the end of the first quarter 2019. JD.com is a related party of the Group by virtue of the shareholding it has in the Group. Richard Liu, the founder, Chairman and Chief Executive Officer of JD.com, is a former director of the Board of Farfetch Limited. Dr. Jon Jainwen Liao, the Chief Strategy Officer of JD.com joined the board of Farfetch Limited in February 2019, following the departure of Richard Liu.

There have been no other events after the reporting year.
AGREEMENT AND PLAN OF MERGER

by and among

FARFETCH US HOLDINGS, INC.,
a Delaware corporation,

YANKEE MERGER SUB, LLC,
a Delaware limited liability company,

STADIUM ENTERPRISES LLC,
a Delaware limited liability company,

Jed Stiller as the Members’ Agent,

and, solely for purposes of Section 9.15,

FARFETCH LIMITED, a Cayman limited company

Dated as of December 12, 2018
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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this “Agreement”) is made and entered into as of December 12, 2018 (the “Agreement Date”), by and among Farfetch US Holdings, Inc., a Delaware corporation (“Acquirer”), Yankee Merger Sub, LLC, a Delaware limited liability company and a wholly owned subsidiary of Acquirer (“Merger Sub”), Stadium Enterprises LLC, a Delaware limited liability company (the “Company”), Jed Stiller, solely in his capacity as agent on behalf of the Converting Holders in accordance with Section 8.7 of this Agreement (the “Members’ Agent”), and, solely for purposes of Section 9.15, Farfetch Limited, a Cayman limited company and the ultimate parent entity of Acquirer (“Parent”). Certain other capitalized terms used herein are defined in Exhibit A.

RECITALS

A. Parent, Acquirer, Merger Sub and the Company intend to effect a merger of Merger Sub with and into the Company in accordance with this Agreement (the “Merger”). Upon consummation of the Merger, Merger Sub will cease to exist, and the Company will become a wholly owned subsidiary of Acquirer.

B. John McPheters and Jed Stiller, the sole holders of the Company’s membership interests designated as Class A Units (the “Class A Units”), such Company Units being the sole class of membership interests of the Company entitled to vote with respect to approval of the Merger (such sole holders of Class A Units together being, the “Voting Members”), have approved this Agreement and the transactions contemplated by this Agreement and the Transactions Documents (collectively, the “Transactions”), including the Merger, upon the terms and subject to the conditions set forth herein, in accordance with Applicable Law and the Operating Agreement (the “Voting Member Approval”).

C. Acquirer, as the sole member of Merger Sub, has (1) declared this Agreement and the Transactions, including the Merger, upon the terms and subject to the conditions set forth herein, in the best interests of Merger Sub and the sole member of Merger Sub and (2) adopted a resolution approving this Agreement and the Merger.

D. Concurrently with the execution of this Agreement, and as a condition and inducement to Acquirer’s and Merger Sub’s willingness to enter into this Agreement, the individuals listed on Schedule I (each, a “Key Employee”) have each executed (1) an employment agreement with the Company and Acquirer, together with a confidential information and assignment agreement (collectively, an “Employment Agreement”), (2) a non-competition and non-solicitation agreement (a “Restrictive Covenant Agreement”) and (3) a share restriction agreement (a “Share Restriction Agreement”), each to become effective upon the Closing.

E. Concurrently with the execution of this Agreement, the Company has obtained and delivered to Acquirer (1) a written consent (the “Written Consent”) executed by both of the Voting Members, evidencing the Voting Member Approval, (2) joinder agreements in substantially the form attached hereto as Exhibit B (each, a “Joinder Agreement”) executed by both of the Voting Members and each other Key Employee in their capacity as a Company Member (together with the Voting Members, the “Key Members”) and (3) investor representation letters in substantially the form attached hereto as Exhibit C (an “Investor Representation Letter”) executed by each Key Member, and the Company shall exercise its commercially reasonable efforts to cause each other Converting Holder to execute and deliver to Acquirer promptly after the execution of this Agreement (i) a Joinder Agreement and (ii) an Investor Representation Letter.

NOW, THEREFORE, in consideration of the representations, warranties, covenants, agreements and obligations contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

THE MERGER

1.1 The Merger.

(a) Merger of Merger Sub into the Company. Upon the terms and subject to the conditions set forth herein, at the Effective Time, Merger Sub shall be merged with and into the Company, and the separate existence of Merger Sub shall cease. The Company will continue as the surviving company in the Merger (sometimes referred to herein as the “Surviving Company”) and as a wholly owned subsidiary of Acquirer.
(b) **Effects of the Merger.** The Merger shall have the effects set forth herein and in the applicable provisions of the DLLCA.

(c) **Closing.** Upon the terms and subject to the conditions set forth herein, the closing of the Transactions (the “Closing”) shall take place at the offices of Fenwick & West LLP, 902 Broadway, Suite 14, New York, New York, 10010, or at such other location as Acquirer and the Company agree, at: (i) 10:00 a.m. local time on a date to be agreed by Acquirer and the Company, which date shall be no later than the third Business Day following the date on which all of the conditions set forth in Article VI have been satisfied or waived (other than those conditions that, by their terms, are intended to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions); or (ii) such other date and time and/or such other location as Acquirer and the Company agree, provided, however, that in no event shall the Closing occur before January 2, 2019. The date on which the Closing occurs is sometimes referred to herein as the “Closing Date.”

(d) **Effective Time.** A certificate of merger satisfying the applicable requirements of the DLLCA in substantially the form attached hereto as Exhibit D (the “Certificate of Merger”) shall be duly executed by the Company and, concurrently with or as soon as practicable following the Closing, delivered to the Secretary of State of the State of Delaware for filing. The Merger shall become effective upon the filing of the Certificate of Merger with the Secretary of State of the State of Delaware or at such later time as Acquirer and the Company agree and specify in the Certificate of Merger (the “Effective Time”).

(e) **Certificate of Formation; Limited Liability Company Agreement; Officers.** Unless otherwise determined by Acquirer and the Company prior to the Effective Time:

(i) the certificate of formation of the Surviving Company shall be amended and restated as of the Effective Time to read as set forth in the Certificate of Merger, until thereafter as provided by the DLLCA;

(ii) the limited liability company agreement of Merger Sub as in effect immediately prior to the Merger shall be the limited liability company agreement of the Surviving Company; and

(iii) the Company shall take all actions necessary to cause the officers of Merger Sub immediately prior to the Effective Time to be the only officers of the Surviving Company immediately after the Effective Time until their respective successors are duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the limited liability company agreement of the Surviving Company.

1.2 **Closing Deliveries.**

(a) **Acquirer Deliveries.** Acquirer shall deliver to the Company, at or prior to the Closing:

(i) a certificate, dated as of the Closing Date, executed on behalf of Acquirer by a duly authorized officer of Acquirer to the effect that each of the conditions set forth in Section 6.2(a) has been satisfied; and

(ii) the Escrow Agreement, executed by Acquirer and the Escrow Agent.

(b) **Company Deliveries.** The Company shall deliver to Acquirer, at or prior to the Closing:

(i) a certificate, dated as of the Closing Date and executed on behalf of the Company by an officer of the Company, to the effect that each of the conditions set forth in Section 6.3(a) and Section 6.3(c) has been satisfied;

(ii) a certificate, dated as of the Closing Date and executed on behalf of the Company by an officer of the Company, certifying (A) the limited liability company agreement of the Company (the “Operating Agreement”) in effect as of the Closing, (B) the resolutions of the Voting Members (I) declaring this Agreement and the Transactions, including the Merger, upon the terms and subject to the conditions set forth herein, advisable, fair to and in the best interests of the Company and the Company Members and (II) approving this Agreement in accordance with the DLLCA and the Operating Agreement and (C) other matters reasonably requested by Acquirer;
(iii ) written acknowledgments pursuant to which any Person that is entitled to any Transaction Expenses acknowledges (A) the total amount of Transaction Expenses that has been incurred and remains payable to such Person and (B) that, upon payment of such remaining payable amount at the Closing, it shall be paid in full and shall not be owed any other amount by any of Acquirer, the Company, its Affiliates and/or the Surviving Company;

(iv) the Joinder Agreement, executed by each Company Member, including holders of Class C Units and the Key Members, who constitute the holders of at least 90% of the outstanding Company Units as of immediately prior to the Closing;

(v) A waiver in a form and substance reasonably satisfactory to Acquirer (a “Unit Waiver Agreement”) from each Person with an offer letter or other Contract or Company Employee Plan that contemplates a grant of, or right to purchase or receive (A) Class B Units, options to purchase Company Units or other equity awards with respect to Company Units or (B) other securities of the Company, that in each case have not been issued or granted as of the Agreement Date;

(vi) Investor Representation Letters duly completed and executed by each Accredited Converting Holder; 4

(vii) evidence reasonably satisfactory to Acquirer of the resignation of each officer of the Company in office immediately prior to the Closing, effective as of, and contingent upon, the Effective Time;

(viii) unless otherwise requested by Acquirer in writing no less than three Business Days prior to the Closing Date, (A) a true, correct and complete copy of resolutions adopted by the Voting Members, certified by an officer of the Company, authorizing the termination of each or all of the Company Employee Plans that are “employee benefit plans” within the meaning of ERISA, if any, with any such termination to be effective as of the date immediately preceding the Closing Date and contingent upon the Closing;

(ix) a certificate from the Secretary of State of Delaware and each other state or other jurisdiction in which the Company is qualified to do business as a foreign entity, dated within three Business Days prior to the Closing Date, certifying that the Company is in good standing and that all applicable Taxes and fees of the Company that are due and payable through and including the Closing Date have been paid;

(x) the Spreadsheet completed to include all of the information specified in Section 5.8 in a form reasonably satisfactory to Acquirer and a certificate executed by an officer of the Company, dated as of the Closing Date, certifying on behalf of the Company that the Spreadsheet is true, correct and complete;

(xi) the Company Closing Financial Certificate;

(xii) U.S. withholding documentation, consisting of a certification by the Company in accordance with the requirements of Treasury Regulations Section 1.1445-11T(d)(2) and a certification by each Company Member of non-foreign status under Section 1446(f)(2)(A) of the Code (to the extent a Company Member is not a “foreign person” within the meaning of Section 1446(f)(2)(A) of the Code), in each case substantially the form attached hereto as Exhibit E;

(xiii) a separation and release agreement or similar document in a form reasonably satisfactory to Acquirer (a “Separation Agreement”) executed by each of the Designated Employees;

(xiv) to the extent requested by Acquirer in writing at least five Business Days prior to the Closing Date, evidence reasonably satisfactory to Acquirer of the termination of service with the Company of any independent contractor, consultant and/or advisory board member of the Company as requested by Acquirer, to be effective no later than immediately prior to Closing; provided that no such termination of service shall result in any payment obligations or other Liability of the Company;

(xv) evidence reasonably satisfactory to Acquirer of the amendment or termination, as applicable, of each of the Contracts listed on Schedule II, as described therein;

(xvi) the Certificate of Merger, executed by the Company;

(xvii) the Escrow Agreement, executed by the Members’ Agent;
(xviii) payoff letters or similar instruments in form and substance reasonably satisfactory to Acquirer with respect to all Company Debt (other than the Company Convertible Notes), which letters provide for the release of all Encumbrances relating to the Company Debt following satisfaction of the terms contained in such payoff letters (including the payment in full and discharge of all principal and accrued but unpaid interest and any premiums or other fees payable in connection with such Company Debt);

(xix) a note repayment agreement in substantially the form attached hereto as Exhibit F (a “Note Repayment Agreement”) with respect to each of the Company Convertible Notes; and

(xx) executed UCC-2 or UCC-3 termination statements (or any other applicable termination statement) executed by each Person holding a security interest in any assets of the Company as of the Closing Date terminating any and all such security interests and evidence reasonably satisfactory to Acquirer that all Encumbrances on assets of the Company shall have been released prior to, or shall be released simultaneously with, the Closing.

Receipt by Acquirer of any of the agreements, instruments, certificates or documents delivered pursuant to this Section 1.2(b) shall not be deemed to be an agreement by Acquirer or Merger Sub that the information or statements contained therein are true, correct or complete, and shall not diminish Acquirer’s or Merger Sub’s remedies hereunder if any of the foregoing agreements, instruments, certificates or documents are not true, correct or complete.

1.3 Effect on Company Units and Options.

(a) Treatment of Company Units. Upon the terms and subject to the conditions set forth herein, at the Effective Time, by virtue of the Merger and without any action on the part of any party hereto, any Company Member or any other Person:

(i) Company Units, other than Class B Units. Each Company Unit, other than a Class B Unit, held by a Converting Holder immediately prior to the Effective Time shall be cancelled and automatically converted into the right to receive, subject to and in accordance with Sections 1.3(f), 1.4 and 1.6, (A) an amount in cash, without interest, equal to the Closing Per Unit Cash Consideration and (B) a number of Parent Ordinary Shares equal to the Closing Per Unit Share Consideration. The amount of cash each Converting Holder holding Company Units, other than Class B Units, is entitled to receive for such Company Units shall be rounded to the nearest cent and computed after aggregating cash amounts for all Company Units held by such Converting Holder and the number of Parent Ordinary Shares each Converting Holder holding Company Units, other than Class B Units, is entitled to receive for such Company Units shall be determined in accordance with Section 1.3(g).

(ii) Class B Units. Each Class B Unit held by a Converting Holder immediately prior to the Effective Time shall be cancelled and automatically converted into the right to receive, subject to and in accordance with Sections 1.3(f), 1.4 and 1.6, (A) an amount in cash, without interest, equal to the Class B Per Unit Cash Consideration and (B) a number of Parent Ordinary Shares equal to the Class B Per Unit Share Consideration. The amount of cash each Converting Holder holding Class B Units is entitled to receive for such Class B Units shall be rounded to the nearest cent and computed after aggregating cash amounts for all Class B Units held by such Converting Holder and the number of Parent Ordinary Shares each Converting Holder holding Class B Units is entitled to receive for such Class B Units shall be determined in accordance with Section 1.3(g).

(b) Treatment of Company Units Owned by the Company. At the Effective Time, all Company Units that are owned by the Company immediately prior to the Effective Time shall be cancelled and extinguished without any conversion thereof or payment of any cash or other property or consideration therefor and shall cease to exist.

(c) Treatment of Merger Sub Equity Interests. At the Effective Time, by virtue of the Merger and without any action on the part of Acquirer, Merger Sub or any other Person, equity interests of Merger Sub that are issued and outstanding immediately prior to the Effective Time shall be converted into and become equity interests of the Surviving Company (and the equity interests of the Surviving Company into which the equity interests of Merger Sub are so converted shall be the only equity interests of the Surviving Company that are issued and outstanding immediately after the Effective Time).
(d) Adjustments. In the event of any split, reverse split, dividend (including any dividend or distribution of securities convertible into equity interests), reorganization, reclassification, combination, recapitalization or other like change with respect to the Company Units or Parent Ordinary Shares occurring after the Agreement Date and prior to the Effective Time, all references herein to specified numbers of units or shares of any class or series affected thereby, and all calculations provided for that are based upon numbers of shares of any class or series (or trading prices therefor) affected thereby, shall be equitably adjusted to the extent necessary to provide the parties the same economic effect as contemplated by this Agreement prior to such stock split, reverse stock split, stock dividend, reorganization, reclassification, combination, recapitalization or other like change.

(e) Rights Not Transferable. The rights of the Company Members under this Agreement as of immediately prior to the Effective Time are personal to each such Company Member and shall not be transferable for any reason, other than by operation of law, will or the laws of descent and distribution without action taken by or on behalf of such Company Member. Any attempted transfer of such right by any holder thereof (other than as permitted by the immediately preceding sentence) shall be null and void.

(f) Non-Accredited Converting Holders. In the event any Converting Holder is not an “Accredited Investor” under the Securities Act, the rules and regulations thereunder and related case law, or otherwise fails to deliver an Investor Representation Letter (each, a “Non-Accredited Converting Holder”), such Non-Accredited Converting Holder shall, in lieu of the Parent Ordinary Shares otherwise issuable to such Non-Accredited Converting Holder pursuant to Section 1.3(a) (the “Ineligible Parent Ordinary Shares”), receive from Acquirer an amount in cash, rounded to the nearest whole cent, equal to the product of (i) such Ineligible Parent Ordinary Shares multiplied by (ii) the Parent Share Price (the aggregate amount paid by Acquirer to all such Non-Accredited Converting Holders pursuant to this sentence, the “Non-Accredited Additional Cash Payment”). Each Converting Holder other than the Non-Accredited Converting Holders (each, an “Accredited Converting Holder”) shall have the (y) aggregate cash amount payable to such Accredited Converting Holder pursuant to Section 1.3(a) reduced by such Accredited Converting Holder’s Accredited Pro Rata Share of the aggregate Non-Accredited Additional Cash Payment and (y) aggregate number of Parent Ordinary Shares issuable to such Accredited Converting Holder increased by such Accredited Converting Holder’s Accredited Pro Rata Share of the total number of Ineligible Parent Ordinary Shares held by all Non-Accredited Converting Holders (the aggregate number of additional Parent Ordinary Shares issued pursuant to this clause (y), the “Additional Parent Ordinary Shares”).

(g) Fractional Shares. The number of Parent Ordinary Shares into which a Converting Holder’s Company Units are converted pursuant to this Article I (including, for the avoidance of doubt, any Additional Parent Ordinary Shares issued pursuant to Section 1.3(f)) shall be rounded down to the nearest whole number of Parent Ordinary Shares. In lieu of any fractional Parent Ordinary Shares to which any Converting Holder would otherwise be entitled (after aggregating, for each particular Converting Holder, all fractional shares of Parent Ordinary Shares to be received by such holder), such Converting Holder shall receive from Acquirer an amount in cash (rounded to the nearest whole cent) equal to the product of (i) such fraction and (ii) the Parent Share Price.

(h) No Interest. Notwithstanding anything to the contrary contained herein, no interest shall accumulate, except as provided in the Escrow Agreement with respect to the cash amounts in the Escrow Fund, on any cash payable in connection with the consummation of the Merger or the other Transactions.

1.4 Payment and Exchange Procedures.

(a) Joinder Agreement; Payment Instructions; Legends.

(i) As soon as reasonably practicable after the Closing Date, to the extent not previously delivered, the Company shall mail, or cause to be mailed, a Joinder Agreement together with instructions for use thereof to every holder of record of Company Units that were issued and outstanding immediately prior to the Effective Time. The right of each such holder of record of Company Units to receive the Merger Consideration hereunder shall be conditioned upon such holder delivering to Acquirer a properly completed and duly executed Joinder Agreement, including the request for payment instructions and Substitute Form W-9 or Form W-8BEN, as applicable, in each case as attached thereto, and any other documentation required thereby; it being understood and agreed that the Joinder Agreement contains an agreement to be bound by the provisions of Section 1.5 and Article VIII along with a release of the Company and the Surviving Company from any claims, rights, Liabilities and causes of action whatsoever based upon, relating to or arising out of the Company Units, the Merger and/or the Transactions.
Any certificates or book-entry entitlements representing the Parent Ordinary Shares to be issued pursuant to Section 1.3(a) shall bear the following legends to the extent applicable (along with any other legends that may be required under Applicable Law):

1. THE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”) AND ARE “RESTRICTED SECURITIES” AS THAT TERM IS DEFINED IN RULE 144 UNDER THE ACT. THESE SHARES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED EXCEPT (I) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, OR (II) UNLESS THE ISSUER HAS RECEIVED AN OPINION OF COUNSEL SATISFACTORY TO IT THAT THESE SHARES MAY BE SOLD PURSUANT TO RULE 144 OR ANOTHER AVAILABLE EXEMPTION UNDER THE ACT AND THE RULES AND REGULATIONS THEREUNDER.

2. THE SHARES EVIDENCED HEREBY ARE SUBJECT TO A RIGHT OF REPURCHASE AS SET FORTH IN A CERTAIN SHARE RESTRICTION AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER, SUCH RIGHT TO REPURCHASE IS BINDING ON THE TRANSFEREES OF THESE SHARES.

It is Parent’s current policy not to issue share certificates in respect of shares in its capital, and all new issuances of shares are reflected on Parent’s books and records in book entry only, with appropriate notations reflecting the applicable legends.

(iii) Upon receipt of written confirmation of the effectiveness of the Merger from the Secretary of State of the State of Delaware, Acquirer shall (A) pay to each Converting Holder by check or wire transfer of same-day funds, as directed by such Converting Holder, the aggregate amount of cash payable to such Converting Holder pursuant to Section 1.3(a), less such Converting Holder’s Pro Rata Share of the Cash Escrow Amount and the Expense Fund Amount, and (B) subject to any applicable Share Restriction Agreement, deliver, or cause to be delivered, to each Converting Holder evidence of book entries reflected on Parent’s books and records evidencing issuance of the aggregate number of Parent Ordinary Shares issuable to such Converting Holder pursuant to Section 1.3(a), in each case, as promptly as practicable following the later of (x) the Closing Date and (y) submission of a properly completed and duly executed Joinder Agreement, including the request for payment instructions and Substitute Form W-9 or Form W-8BEN, as applicable, in each case as attached thereto, and any other documentation required thereby, to Acquirer by such Converting Holder.

(b) Cash Escrow Amount and Expense Fund Amount.

(i) Notwithstanding anything to the contrary in the other provisions of this Article I, Acquirer shall withhold from each Converting Holder’s applicable portion of the Closing Cash Consideration payable to such Converting Holder pursuant to Section 1.3(a) such Converting Holder’s Pro Rata Share of the Cash Escrow Amount, and shall deposit the Cash Escrow Amount with the Escrow Agent pursuant to Section 8.1. The Escrow Fund shall constitute partial security for the benefit of Acquirer (on behalf of itself or any other Indemnified Person) with respect to the indemnification obligations of the Converting Holders under Section 1.6(i) and Article VIII, and shall be held and distributed in accordance with Section 1.6(i) and Section 8.1. The approval of this Agreement and the Transactions, including the Merger, by the Voting Members shall constitute, among other things, approval of the Cash Escrow Amount, the withholding of the Cash Escrow Amount by Acquirer, the Expense Fund Amount, the withholding of the Expense Fund Amount by Acquirer and the appointment of the Members’ Agent.

(ii) Notwithstanding anything to the contrary in the other provisions of this Article I, Acquirer shall withhold from each Converting Holder’s applicable portion of the Closing Cash Consideration payable to such Converting Holder pursuant to Section 1.3(a) such Converting Holder’s Pro Rata Share of the Expense Fund Amount, and shall deposit the Expense Fund Amount with the Members’ Agent by wire transfer of immediately available funds to the account identified by the Members’ Agent to Acquirer, which account shall be identified no less than three Business Days prior to the Closing Date.
(c) **Transfers of Ownership.** If any cash amount or Parent Ordinary Shares payable or issuable pursuant to Section 1.3(a) is to be paid or issued to a Person other than the Person to which the Company Unit surrendered in exchange therefor is registered, it shall be a condition of the payment or issuance thereof that such Company Unit shall be properly endorsed (to the extent applicable) and otherwise in proper form for transfer and that the Person requesting such exchange shall have paid to Acquirer or any agent designated by Acquirer any transfer or other Taxes required by reason of the payment of cash or issuance of Parent Ordinary Shares in any name other than that of the registered holder of such Company Units, or established to the satisfaction of Acquirer or any agent designated by Acquirer that such Tax has been paid or is not payable.

(d) **No Liability.** Notwithstanding anything to the contrary in this Section 1.4, no party hereto shall be liable to any Person for any amount properly paid to a public official pursuant to any applicable abandoned property, escheat or similar Applicable Law.

(e) **Unclaimed Consideration.** Each holder of a Company Unit who has not theretofore complied with the exchange procedures set forth in and contemplated by this Section 1.4 shall look only to Acquirer (subject to abandoned property, escheat and similar Applicable Law) for its claim, only as a general unsecured creditor thereof, to any portion of the Merger Consideration payable or issuable pursuant to Section 1.3(a) in respect of such Company Unit. Notwithstanding anything to the contrary contained herein, if any Company Unit has not been surrendered prior to the earlier of the first anniversary of the Effective Time and such date on which the applicable portion of the Merger Consideration payable or issuable pursuant to Section 1.3(a) in respect of such Company Unit would otherwise escheat to, or become the property of, any Governmental Entity, any amounts payable in respect of such Company Unit shall, to the extent permitted by Applicable Law, become the property of Acquirer, free and clear of all claims or interests of any Person previously entitled thereto.

1.5 **No Further Ownership Rights in the Company Units.** The applicable portion of the Merger Consideration paid or payable and issued or issuable following the surrender for exchange of the Company Units in accordance with this Agreement shall be paid or payable or issued or issuable in full satisfaction of all rights pertaining to the Company Units, and there shall be no further registration of transfers on the records of the Surviving Company of Company Units that were issued and outstanding immediately prior to the Effective Time. If, after the Effective Time, any document or instrument representing a Company Unit is presented to the Surviving Company for any reason, such Company Unit shall be cancelled and exchanged as provided in this Article I.

1.6 **Closing Cash Consideration Adjustment.**

(a) Pursuant to Section 5.12, the Company shall deliver the Company Closing Financial Certificate to Acquirer not later than three Business Days prior to the Closing Date.

(b) Within 90 days after the Closing, Acquirer may object to the Company’s calculation of Company Net Working Capital, Company Cash, Company Debt and/or Transaction Expenses included in the Company Closing Financial Certificate (each, an “Adjustment Component” and collectively, the “Adjustment Calculations”) by delivering to the Members’ Agent a notice (the “Acquirer Adjustment Notice”) setting forth Acquirer’s calculation of each Adjustment Component as to which Acquirer is objecting and the amount by which each such Adjustment Component as calculated by Acquirer is less than or greater than such Adjustment Component as set forth in the Company Closing Financial Certificate, in each case together with supporting documentation, information and calculations.

(c) The Members’ Agent may object to the calculation of the Adjustment Components set forth in the Acquirer Adjustment Notice by providing written notice of such objection to Acquirer within 20 days after Acquirer’s delivery of the Acquirer Adjustment Notice (the “Notice of Objection”), together with supporting documentation, information and calculations. Any matters not expressly set forth in the Notice of Objection shall be deemed to have been accepted by the Members’ Agent on behalf of the Converting Holders. During such 20-day period, the Members’ Agent shall have the right to review all books and records of the Surviving Company solely to the extent reasonably required in connection with the Members’ Agent’s review of the Acquirer Adjustment Notice and preparation of the Notice of Objection, if any, and each of Acquirer and the Surviving Company agrees to cooperate in such review as reasonably requested by the Members’ Agent and to provide such access for such limited purpose to the Surviving Company’s books and records during normal business hours as the Members’ Agent shall reasonably request.
(d) If the Members’ Agent timely provides the Notice of Objection, then Acquirer and the Members’ Agent shall confer in good faith for a period of up to 10 Business Days following Acquirer’s timely receipt of the Notice of Objection in an attempt to resolve any disputed matter set forth in the Notice of Objection, and any resolution by them shall be in writing and shall be final and binding on the parties hereto and the Converting Holders.

(e) If, after the 10-Business Day period set forth in Section 1.6(d), Acquirer and the Members’ Agent cannot resolve any matter set forth in the Notice of Objection, then Acquirer and the Members’ Agent shall engage Ernst & Young LLP or, if such firm is not able or willing to so act, another independent auditing firm acceptable to both Acquirer and the Members’ Agent (the “Reviewing Accountant”) to review only the matters in the Notice of Objection that are still disputed by Acquirer and the Members’ Agent and the Adjustment Calculations to the extent relevant thereto. After such review and a review of the Surviving Company’s relevant books and records, the Reviewing Accountant shall promptly (and in any event within 60 days following its engagement) determine the resolution of such remaining disputed matters, which determination shall be final and binding on the parties hereto and the Converting Holders, and the Reviewing Accountant shall provide Acquirer and the Members’ Agent with a calculation of Adjustment Components at issue in accordance with such determination.

(f) After the Adjustment Calculations are finally determined pursuant to Section 1.6(b), Section 1.6(d) and/or Section 1.6(e), as the case may be (the “Final Adjustment Calculations”), the Closing Cash Consideration shall be recalculated (as so recalculated, the “Final Closing Cash Consideration”) using the Final Adjustment Calculations instead of the Adjustment Calculations set forth in the Company Closing Financial Certificate.

(g) If the Final Closing Cash Consideration is less than the Closing Cash Consideration (such difference, the “Final Shortfall”), then the Converting Holders shall severally, but not jointly, indemnify and hold harmless Acquirer without any dispute by the Members’ Agent, for the full amount of the Final Shortfall; provided that Acquirer shall be permitted to recover all or a portion of the Final Shortfall from the Escrow Fund.

(h) If the Final Closing Cash Consideration is greater than the Closing Cash Consideration (such difference, the “Final Surplus”), then Acquirer shall, within 15 Business Days, pay to the Converting Holders, in accordance with their Pro Rata Shares, the Final Surplus by check or wire transfer of immediately available funds, in accordance with each Converting Holder’s payment instructions delivered in accordance with the Joinder Agreement or as otherwise directed by such Converting Holder at least five Business Days in advance of such payment.

(i) The fees, costs and expenses of the Reviewing Accountant shall be paid (i) by Acquirer in the event the absolute value of the differences between the final Adjustment Components as determined by the Reviewing Accountant pursuant to Section 1.6(e) and the Adjustment Components set forth in the Acquirer Adjustment Notice (such aggregate difference, the “Acquirer’s Difference”) is greater than the absolute value of the differences between the final Adjustment Components as determined by the Reviewing Accountant pursuant to Section 1.6(e) and the Adjustment Components set forth in the Notice of Objection (such aggregate difference, the “Members’ Agent’s Difference”), (ii) by the Converting Holders if the Acquirer’s Difference is less than the Members’ Agent’s Difference or (iii) equally by Acquirer on the one hand, and the converting holders on the other hand, if the Acquirer’s Difference is the same as the Members’ Agent’s Difference.

(j) Acquirer’s right to indemnification pursuant to this Section 1.6 will not be subject to the limitations set forth in Section 8.3, but shall constitute Acquirer’s sole and exclusive remedy with respect to each Adjustment Component and any Final Shortfall except in the case of fraud, intentional misrepresentation or willful misconduct. Any payments made pursuant to this Section 1.6 shall be treated as adjustments to the Merger Consideration for all Tax purposes to the maximum extent permitted under Applicable Law.

1.7 Tax Consequences. The parties hereto intend that the Merger shall constitute a taxable transaction and shall be treated, pursuant to IRS Revenue Ruling 99-6, Situation No. 2, for U.S. federal income Tax purposes as a sale by the Company Members of their respective Company Units in accordance with Section 741 of the Code and as a taxable purchase of the Company’s assets by Acquirer for U.S. federal income Tax purposes, and that IRS Revenue Ruling 2007-49, Situation 3, shall apply with respect to any Key Employee who receives Parent Ordinary Shares that are subject to a Share Restriction Agreement. The parties agree to report the Merger for U.S. federal income Tax purposes in a manner consistent with such intended treatment. Notwithstanding the foregoing, it is understood and agreed that neither Acquirer nor Merger Sub makes any representations or warranties to the Company or to any Company Member regarding the Tax treatment of the Merger, or any of the Tax consequences to the Company or any Company Member of this Agreement, the Merger or the other Transactions or the other agreements contemplated by this Agreement. The Company acknowledges that the Company and the Company Members are relying solely on their own Tax advisors in connection with this Agreement, the Merger and the other Transactions and the other agreements contemplated by this Agreement.
1.8 Certain Taxes. All transfer, documentary, sales, use, stamp, registration and other similar Taxes and fees (including any penalties and interest) incurred in connection with this Agreement shall be paid equally by Acquirer, on the one hand, and by the applicable Company Member, on the other hand, when due, and such Company Member shall file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other similar Taxes and fees, and Acquirer shall cooperate with the applicable Company Member to facilitate such filings.

1.9 Withholding Rights. Each of Acquirer, the Surviving Company and the Paying Agent shall be entitled to deduct and withhold from any payments of cash or issuances of Parent Ordinary Shares pursuant to this Agreement to any Key Employee, any Continuing Employee or any holder of any Company Units, such amounts in cash and/or Parent Ordinary Shares as Acquirer, the Surviving Company or the Paying Agent is required to deduct and withhold with respect to any such payments or issuances under the Code (including Section 1446(f) of the Code) or any provision of state, local, provincial or foreign Tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid or issued, as applicable, to such Persons in respect of which such deduction and withholding was made. Any amounts that are deducted and withheld pursuant to this Section 1.9 shall be deposited by Acquirer, the Surviving Company or the Paying Agent, as the case may be, as required by Applicable Law.

1.10 Taking of Necessary Action; Further Action. If, at any time after the Closing, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Company with full right, title and interest in, to and under, and/or possession of, all assets, property, rights, privileges, powers and franchises of the Company, the officers of the Surviving Company are fully authorized, in the name and on behalf of the Company or otherwise, to take all lawful action necessary or desirable to accomplish such purpose or acts, so long as such action is not inconsistent with this Agreement.

ARTICLE II
Representations and Warranties of the Company

Subject to the disclosures set forth in the disclosure letter of the Company delivered to Acquirer concurrently with the execution of this Agreement (the “Company Disclosure Letter”) (each of which disclosures, in order to be effective, shall clearly indicate the Section and, if applicable, the Subsection of this Article II to which it relates (unless and only to the extent the relevance to other representations and warranties is readily apparent from the actual text of the disclosures without any reference to extrinsic documentation or any independent knowledge on the part of the reader regarding the matter disclosed), and each of which disclosures shall also be deemed to be representations and warranties made by the Company to Acquirer under this Article II), the Company represents and warrants to Acquirer as follows:

2.1 Organization, Standing, Power and Subsidiaries.

(a) The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the state of Delaware. Each Company Subsidiary is a limited liability company duly organized, validly existing and in good standing under the laws of the state of New York. Each of the Company and the Company Subsidiaries has the power to own, operate, use, distribute and lease its properties and to conduct the Business and is duly licensed or qualified to do business and is in good standing in each jurisdiction where the failure to be so qualified or in good standing, individually or in the aggregate with any such other failures, would reasonably be expected to have a Material Adverse Effect with respect to the Company. Except as set forth on Schedule 2.1(a) of the Company Disclosure Letter, the Company has and, since its inception has had, no Subsidiaries or any Equity Interest, whether direct or indirect, in, or any loans to, any corporation, partnership, limited liability company, joint venture or other business entity.

(b) Schedule 2.1(b) of the Company Disclosure Letter sets forth a true, correct and complete list of the names and titles of the officers of the Company and each Company Subsidiary.

(c) The Company is the owner of all of the Equity Interests of each Company Subsidiary, free and clear of all Encumbrances, and all such Equity Interests are not subject to any preemptive rights created by statute, such Company Subsidiary’s articles of organization, limited liability company agreement or any Contract to which such Subsidiary is a party or by which it is bound. There are no outstanding subscriptions, options, warrants, “put” or “call” rights, exchangeable or convertible securities or other Contracts of any character relating to the issued membership interests of any Company Subsidiary, or otherwise obligating the Company or any Company Subsidiary to issue, transfer, sell, purchase, redeem or otherwise acquire or sell any such Equity Interests.
2.2 Capital Structure.

(a) The authorized, issued and outstanding Company Units consist solely of (i) 5,954.84 Class A Units, (ii) 2,633.24 Class B Units, (iii) 1,500 Class C Units and (iv) 2,069.97 Class D Units. There are no commitments or Contracts to issue any Company Units other than pursuant to the conversion of Company Convertible Notes that are outstanding as of the Agreement Date. The Company holds no Company Units. Schedule 2.2(a) of the Company Disclosure Letter sets forth, as of the Agreement Date, (i) a true, correct and complete list of the Company Members and the number and type of Company Units so owned by such Company Member, and any beneficial holders thereof, if applicable, (ii) for each Class B Unit, the applicable Threshold Value and (iii) the number of Company Units that are Unvested Company Units, including as applicable the number and type of such Unvested Company Units, the per unit purchase price paid for such Unvested Company Units, the vesting schedule in effect for such Unvested Company Units (and the terms of any acceleration thereof), the per unit repurchase price payable for such Unvested Company Units and the length of the repurchase period following the termination of service of the holder of such Unvested Company Units. None of the Class B Units were granted with a Threshold Value that would have provided the holder thereof with a share of the proceeds if, as of the date of grant of such Class B Unit, the Company’s assets were sold at their fair market value and the proceeds of such sale were distributed in a complete liquidation of the Company. Except as set forth in the Operating Agreement, all issued and outstanding Company Units are free of any Encumbrances, outstanding subscriptions, preemptive rights or “put” or “call” rights created by statute or any Contract to which the Company is a party or by which the Company or any of its assets is bound. The Company has never declared or paid any distributions on any Company Units. There is no Liability for declared and unpaid distributions by the Company. The Company is not under any obligation to register under the Securities Act or any other Applicable Law any Company Units, any Equity Interests or any other securities of the Company, whether currently outstanding or that may subsequently be issued. Each Company Unit that is convertible into another class or series of Company Unit in accordance with the Operating Agreement is convertible on a one-for-one basis. All issued and outstanding Company Units and Company Convertible Notes were issued in compliance with Applicable Law and all requirements set forth in the Operating Agreement and any applicable Contracts to which the Company is a party or by which the Company or any of its assets is bound.

(b) As of the Agreement Date, there are no authorized, issued or outstanding Equity Interests of the Company other than Company Units and the Company Convertible Notes. Other than as set forth on Schedule 2.2(a) of the Company Disclosure Letter, as of the Agreement Date, no Person has any Equity Interests of the Company or any Company Subsidiary, equity appreciation rights, stock units, share schemes, calls or rights, or is party to any Contract of any character to which the Company, any Company Subsidiary or a Company Member is a party or by which it or its assets is bound, (i) obligating the Company, any Company Subsidiary or such Company Member to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any Equity Interests of the Company or any Company Subsidiary or other rights to purchase or otherwise acquire any Equity Interests of the Company or any Company Subsidiary, whether vested or unvested (other than the issuance of Company Units upon the conversion of the Company Convertible Notes), or (ii) obligating the Company or any Company Subsidiary to grant, extend, accelerate the vesting and/or repurchase rights of, change the price of, or otherwise amend or enter into any such, call, right or Contract.

(c) Other than the Company Convertible Notes, no Company Debt (i) granting its holder the right to vote on any matters on which any Company Member may vote (or that is convertible into, or exchangeable for, securities having such right) or (ii) the value of which is in any way based upon or derived from capital or voting units of the Company or any Company Subsidiary, is issued or outstanding as of the Agreement Date (collectively, “Company Voting Debt”).

(d) Other than the Operating Agreement and as set forth on Schedule 2.2(d) of the Company Disclosure Letter, there are no Contracts relating to voting, purchase, sale or transfer of any Company Units (i) between or among the Company and any Company Member, other than written Contracts granting the Company the right to purchase unvested units of membership interests upon termination of employment or service, and (ii) to the knowledge of the Company, between or among any of the Company Members. No Contract to which the Company is a party or by which the Company or any of its assets is bound relating to any Unvested Company Units requires or otherwise provides for any accelerated vesting of any Unvested Company Units or the acceleration of any other benefits thereunder, in each case in connection with the Transactions or upon termination of employment or service with the Company or Acquirer, or any other event, whether before, upon or following the Effective Time or otherwise. No Company Units are subject to vesting, reverse vesting, forfeiture, a right of repurchase or to a “substantial risk of forfeiture” within the meaning of Section 83 of the Code.
(e) As of the Closing, (i) the number of Company Units set forth in the Spreadsheet as being owned by a Person, and the Company Convertible Notes owned by a Person, will constitute the entire interest of such Person in the issued and outstanding Company Units or any other Equity Interests of the Company, (ii) no Person not disclosed in the Spreadsheet will have a right to acquire from the Company any Company Units, Company Convertible Notes or any other Equity Interests of the Company and (iii) the Company Convertible Notes and, to the Company’s knowledge, the Company Units disclosed in the Spreadsheet will be free and clear of any Encumbrances, other than Encumbrances set forth in the Operating Agreement or the Company Convertible Notes.

(f) Schedule 2.2(f) of the Company Disclosure Letter identifies each employee of the Company or other Person with an offer letter or other Contract or Company Employee Plan that contemplates a grant of, or right to purchase or receive: (i) Class B Units, options to purchase Company Units or other equity awards with respect to Company Units or (ii) other securities of the Company, that in each case, have not been issued or granted as of the Agreement Date, together with the number of such options, other equity awards or other securities and any promised terms thereof.

2.3 Authority; Non-contravention.

(a) Having obtained the Voting Member Approval, the Company has all requisite power and authority to enter into this Agreement and the other Company Transaction Documents and to consummate the Transactions. The execution and delivery of this Agreement and the other Company Transaction Documents and the consummation of the Transactions have been duly authorized by all necessary action on the part of the Company. Each Transaction Document required to be executed and delivered by the Company has been duly executed and delivered by the Company and, assuming the due execution and delivery of such Transaction Document by the other parties thereto, constitutes the valid and binding obligation of the Company enforceable against the Company in accordance with its terms subject only to the effect, if any, of (i) applicable bankruptcy and other similar Applicable Law affecting the rights of creditors generally and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies. The Voting Members, by resolutions duly adopted (and not thereafter modified or rescinded) by the Voting Members, have approved this Agreement and the Transactions, including the Merger, in accordance with Applicable Law and the Operating Agreement. The Voting Member Approval is the only vote of the holders of Company Units necessary to consummate the Transactions, including the Merger, distribute the Merger Consideration in accordance with Section 1.3, approve this Agreement and the Merger under the DLLCA and the Operating Agreement, each as in effect at the time of such approval. No rights to appraisals under the Operating Agreement or Applicable Law are available to any Company Member as a result of the Transactions, including the Merger.

(b) Except as set forth on Schedule 2.3(b) of the Company Disclosure Letter, the execution and delivery of this Agreement and the other Company Transaction Documents by the Company does not, and the consummation of the Transactions will not, (i) result in the creation of any Encumbrance on any of the material assets of the Company or the Company Subsidiaries or any of the Company Units or (ii) conflict with, or result in any violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any benefit under, or require any consent, approval or waiver from any Person pursuant to, (A) any provision of the Operating Agreement or other equivalent organizational or governing documents of the Company or any Company Subsidiary, in each case as amended to date, (B) any Contract of the Company or any Company Subsidiary or any Contract applicable to any of its or their material assets or (C) any Applicable Law.

(c) No consent, approval, Order or authorization of, or registration, declaration or filing with, or notice to, any Governmental Entity or any other Person is required by or with respect to the Company or any Company Subsidiary in connection with the execution and delivery of this Agreement or any other Company Transaction Document or the consummation of the Transactions, except for (i) the filing of the Certificate of Merger, as provided in Section 1.1(d), and (ii) such other consents, approvals, Orders, authorizations, registrations, declarations, filings and notices that, if not obtained or made, would not adversely affect, and would not reasonably be expected to adversely affect, the Company’s ability to perform or comply with the covenants, agreements or obligations of the Company herein or in any other Company Transaction Document or to consummate the Transactions in accordance with this Agreement or any other Company Transaction Document and Applicable Law.
2.4 Financial Statements: No Undisclosed Liabilities.

(a) The Company has delivered to Acquirer its consolidated unaudited financial statements for the fiscal years ending December 31, 2016 and December 31, 2017 and its consolidated unaudited financial statements for the nine-month period ended September 30, 2018 (including, in each case, balance sheets, statements of profits and loss and statements of cash flows) (collectively, the “Financial Statements”), which are included as Schedule 2.4(a) of the Company Disclosure Letter. The Financial Statements (i) are derived from and in accordance with the books and records of the Company, (ii) compiled as to form with applicable accounting requirements with respect thereto as of their respective dates, (iii) fairly and accurately present the consolidated financial condition of the Company at the dates therein indicated and the consolidated results of operations and cash flows of the Company for the periods therein specified (subject, in the case of unaudited interim period financial statements, to normal recurring year-end adjustments, none of which individually or in the aggregate are or are reasonably expected to be material in amount), (iv) are true, correct and complete (subject, in the case of unaudited interim period financial statements, to normal recurring year-end adjustments, none of which individually or in the aggregate are or are reasonably expected to be material in amount) and (v) were prepared in accordance with GAAP applied on a consistent basis throughout the periods involved, except (A) as set forth on Schedule 2.4(a)(v)(A) of the Company Disclosure Letter and (B) for the absence of footnotes in the Financial Statements.

(b) Neither the Company nor any Company Subsidiary has any Liabilities of any nature other than (i) those set forth or adequately provided for in the balance sheet included in the Financial Statements as of September 30, 2018 (such date, the “Company Balance Sheet Date” and such balance sheet, the “Company Balance Sheet”), (ii) those incurred in the conduct of the Company’s and any Company Subsidiary’s business since the Company Balance Sheet Date in the ordinary course and consistent with past practice that are of the type that ordinarily recur and, individually or in the aggregate, are not materially different in nature or amount from Liabilities reflected on the Financial Statements and do not result from any breach of Contract, warranty, infringement, tort or violation of Applicable Law and (iii) those incurred by the Company in connection with the execution of this Agreement. Except for Liabilities reflected in the Financial Statements, neither the Company nor any Company Subsidiary has any off-balance sheet Liability of any nature to, or any financial interest in, any third parties or entities, the purpose or effect of which is to defer, postpone, reduce or otherwise avoid or adjust the recording of expenses incurred by the Company or any Company Subsidiary. All reserves that are set forth or reflected in the Company Balance Sheet have been established in accordance with GAAP consistently applied, except as set forth on Schedule 2.4(a)(v)(A) of the Company Disclosure Letter, and are adequate. Without limiting the generality of the foregoing, neither the Company nor any Company Subsidiary has ever guaranteed any debt or other obligation of any other Person.

(c) Schedule 2.4(c) of the Company Disclosure Letter sets forth a true, correct and complete list of all Company Debt, including, for each item of Company Debt, the agreement governing the Company Debt and the interest rate, maturity date, any assets securing such Company Debt and any prepayment or other penalties payable in connection with the repayment of such Company Debt at the Closing.

(d) Schedule 2.4(d) of the Company Disclosure Letter sets forth the names and locations of all banks and other financial institutions at which the Company or any Company Subsidiary maintains accounts and the names of all Persons authorized to make withdrawals therefrom.

(e) The accounts receivable of the Company and the Company Subsidiaries (collectively, the “Accounts Receivable”) as reflected on the Company Balance Sheet and as will be reflected in the Company Closing Financial Certificate arose in the ordinary course of business and consistent with past practice and represent bona fide claims against debtors for sales and other charges, and have been collected or are collectible in the book amounts thereof within 90 days following the Agreement Date, less an amount not in excess of the allowance for doubtful accounts provided for in the Company Balance Sheet or in the Company Closing Financial Certificate, as the case may be. Allowances for doubtful accounts and warranty returns have been prepared in accordance with GAAP consistently applied, except as set forth on Schedule 2.4(a)(v)(A) of the Company Disclosure Letter, and in accordance with the Company’s past practice and are sufficient to provide for any losses that may be sustained on realization of the applicable Accounts Receivable. The Accounts Receivable arising after the Company Balance Sheet Date and before the Closing Date (i) arose or shall arise in the ordinary course of business and consistent with past practice, (ii) represented or shall represent bona fide claims against debtors for sales and other charges and (iii) have been collected or are collectible in the book amounts thereof within 90 days following the Agreement Date, less allowances for doubtful accounts and warranty returns determined in accordance with GAAP consistently applied, except as set forth on Schedule 2.4(a)(v)(A) of the Company Disclosure Letter, and the Company’s past practice that are or shall be sufficient to provide for any losses that
may be sustained on realization of the applicable Accounts Receivable. None of the Accounts Receivable is subject to any claim of offset, recoupment, set-off or counter-claim and, to the knowledge of the Company, there are no facts or circumstances (whether asserted or unasserted) that could give rise to any such claim. No material amount of Accounts Receivable is contingent upon the performance by the Company of any obligation or Contract other than normal warranty repair and replacement. No Person has any Encumbrance on any Accounts Receivable, and no agreement for deduction or discount has been made with respect to any such Accounts Receivable. Schedule 2.4(e) of the Company Disclosure Letter sets forth, as of November 30, 2018, an aging of the Accounts Receivable in the aggregate and by customer, and there are no material allowances for doubtful accounts and warranty returns. As of November 30, 2018, the Accounts Receivable are not subject to any asserted warranty claims by customers and no such asserted warranty claims have been made within the last year.

(f) The Company has established and maintains a system of internal accounting controls sufficient to provide reasonable assurances (i) that transactions, receipts and expenditures of the Company and the Company Subsidiaries are being executed and made only in accordance with appropriate authorizations of management and the Voting Members, (ii) that transactions are recorded as necessary (A) to permit preparation of financial statements in conformity with GAAP, except as set forth on Schedule 2.4(a)(v)(A) of the Company Disclosure Letter, and (B) to maintain accountability for assets, (iii) regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of Company or any Company Subsidiary and (iv) that the amount recorded for assets on the books and records of the Company is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. None of the Company, any Company Subsidiary, the Company’s independent auditors and, to the knowledge of the Company, any current or former employee or consultant of the Company or any Company Subsidiary, has identified or been made aware of any fraud, whether or not material, that involves Company’s management or other current or former employees or consultants of the Company or any Company Subsidiary who have a role in the preparation of financial statements or the internal accounting controls utilized by the Company, or any claim or allegation regarding any of the foregoing. None of the Company, the Company Subsidiaries and, to the knowledge of the Company, any Representative of the Company has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or claim, whether written or oral, in each case, regarding deficient accounting or auditing practices, procedures, methodologies or methods of the Company or its internal accounting controls, or any material weakness with respect thereto, or any material inaccuracy in the Company’s financial statements. No attorney representing the Company, whether or not employed by the Company, has reported to the Voting Members or to the Company evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by the Company, any Company Subsidiary or its Representatives. At the Company Balance Sheet Date, there were no material loss contingencies (as such term is used in Financial Accounting Standards Board Accounting Standards Codification Topic 450) that are not adequately provided for in the Company Balance Sheet as required by such Topic 450. There has been no change in the Company accounting policies since the Company’s inception, except as described in the Financial Statements.

2.5 Absence of Changes. Since the Company Balance Sheet Date, except (a) as set forth on Schedule 2.5 of the Company Disclosure Letter, and (b) in connection with the execution and delivery of this Agreement and the consummation of the Transactions, (i) the Company and the Company Subsidiaries have conducted the Business only in the ordinary course of business and consistent with past practice, (ii) there has not occurred a Material Adverse Effect with respect to the Company and (iii) neither the Company nor any Company Subsidiary has caused, or permitted any action that would constitute a breach of Section 4.2 if such action were taken by the Company, without the written consent of Acquirer, between the Agreement Date and the earlier of the termination of this Agreement and the Effective Time.

2.6 Litigation. There is no Legal Proceeding to which the Company or any Company Subsidiary is a party pending before any Governmental Entity, or, to the knowledge of the Company, threatened against the Company, any Company Subsidiary or any of its or its assets or any of its or its officers or employees (in their capacities as such or relating to their employment, services or relationship with the Company or such Company Subsidiary), and, to the knowledge of the Company, there is not any reasonable basis for any such Legal Proceeding. There is no Order against the Company, any Company Subsidiary, any of its or its assets, or, to the knowledge of the Company, any of its or its officers or employees (in their capacities as such or relating to their employment, services or relationship with the Company). To the knowledge of the Company, there is no reasonable basis for any Person to assert a claim against the Company, any Company Subsidiary or any of its or their assets or any of its or their officers or employees (in their capacities as such or relating to their employment, services or relationship with the Company or such Company Subsidiary) based upon: (i) the Company entering into this Agreement, any of the Transactions or the agreements contemplated by this Agreement, including a claim that such officer or employee breached a fiduciary duty in connection therewith, (ii) any confidentiality or similar agreement entered into by the Company or any Company Subsidiary regarding its or their assets or (iii) any claim that the Company or any Company Subsidiary has agreed to sell or dispose of any of its assets to any party other than Acquirer, whether by way of merger, consolidation, sale of assets or otherwise. Neither the Company nor any Company Subsidiary has any Legal Proceeding pending against any other Person.
2.7 **Restrictions on Business Activities.** Except as set forth on Schedule 2.7 of the Company Disclosure Letter, there is no Contract or Order binding upon the Company or any Company Subsidiary that restricts or prohibits, purports to restrict or prohibit, has or would reasonably be expected to have, whether before or after consummation of the Merger, the effect of prohibiting, restricting or impairing any current or presently proposed business practice of the Company or any Company Subsidiary, any acquisition of property by the Company or any Company Subsidiary or the conduct or operation of the Business or, excluding restrictions on the use of Third-Party Intellectual Property contained in the applicable written license agreement therefor, limiting the freedom of the Company or any Company Subsidiary to (i) engage or participate, or compete with any other Person, in any line of business, market or geographic area with respect to the Company Products or the Company Intellectual Property, or to make use of any Company Intellectual Property, including any grants by the Company of exclusive rights or licenses or (ii) sell, distribute or manufacture any products or services or to purchase or otherwise obtain any software, components, parts or services. Other than the Material Contracts or as set forth on Schedule 2.7 of the Company Disclosure Letter, there are no Contracts or permits to which the Company or any Company Subsidiary is a party that relate to or affect the assets or properties of the Company.

2.8 **Compliance with Laws; Governmental Permits.**

(a) The Company and the Company Subsidiaries have complied in all material respects with, are not in violation in any material respect of, and have not received any written or, to the Company’s knowledge, other notices of violation with respect to, Applicable Law.

(b) The Company and the Company Subsidiaries have obtained each material federal, state, county, local or foreign governmental consent, license, permit, grant or other authorization of a Governmental Entity (i) pursuant to which the Company or any Company Subsidiary currently operates or holds any interest in any of its assets or properties or (ii) that is required for the conduct of the Business or the holding of any such interest (all of the foregoing consents, licenses, permits, grants and other authorizations, collectively, the “**Company Authorizations**”), and all of the Company Authorizations are in full force and effect. Neither the Company nor any Company Subsidiary has received any notice or other communication from any Governmental Entity regarding (i) any actual or possible violation of any Company Authorization or (ii) any actual or possible revocation, withdrawal, suspension, cancellation, termination or modification of any Company Authorization, and to the knowledge of the Company, no such notice or other communication is forthcoming. The Company and the Company Subsidiaries have materially complied with all of the terms of the Company Authorizations and none of the Company Authorizations will be terminated or impaired, or will become terminable, in whole or in part, as a result of the consummation of the Transactions.

2.9 **Title to, Condition and Sufficiency of Assets; Real Property.**

(a) The Company or the Company Subsidiaries have good title to, or valid leasehold interest in all of its properties, and interests in properties and assets, real and personal, reflected on the Company Balance Sheet or acquired after the Company Balance Sheet Date (except properties and assets, or interests in properties and assets, sold or otherwise disposed of since the Company Balance Sheet Date in the ordinary course of business and consistent with past practice), or, with respect to leased properties and assets, valid leasehold interests in such properties and assets that afford the Company or a Company Subsidiary valid leasehold possession of the properties and assets that are the subject of such leases, in each case, free and clear of all Encumbrances, except Permitted Encumbrances.

(b) The assets and properties owned by the Company and the Company Subsidiaries (i) constitute all of the assets and properties that are necessary for the Company to conduct, operate and continue the conduct of the Business and to sell and otherwise enjoy full rights to exploitation of its assets, properties and all products and services that are provided in connection with its assets and properties and (ii) constitute all of the assets and properties that are used in the conduct of the Business, without (A) the need for Acquirer to acquire or license any other asset, property or Intellectual Property or (B) the breach or violation of any Contract.

(c) Schedule 2.9(c) of the Company Disclosure Letter identifies each parcel of real property leased by the Company or any Company Subsidiary. The Company has provided to Acquirer true, correct and complete copies of all leases, subleases and other agreements under which the Company or any Company Subsidiary uses or occupies or has the right to use or occupy, now or in the future, any real property or facility, including all modifications, amendments and supplements thereto. Neither the Company nor any Company Subsidiary currently owns any real property.
2.10 Intellectual Property.

(a) As used herein, the following terms have the meanings indicated below:

(i) “Company Data” means all data collected, generated, or received in connection with the marketing, delivery, or use of any Company Product, including Company-Licensed Data, Company-Owned Data and Personal Data.

(ii) “Company Data Agreement” means any Contract involving Company Data to which the Company or any Company Subsidiary is a party or is bound by, except for the standard terms of service entered into by users of the Company Products (copies of which have been made available to Acquirer).

(iii) “Company Intellectual Property” means any and all Company-Owned Intellectual Property and any and all Third-Party Intellectual Property that is licensed to the Company or any Company Subsidiary.

(iv) “Company Intellectual Property Agreements” means any Contract governing any Company Intellectual Property to which the Company or any Company Subsidiary is a party or bound by, except for Contracts for (A) Open Source Materials and (B) Third-Party Intellectual Property that is generally, commercially available software and (i) is not material to the Company or any Company Subsidiary, (ii) has not been modified or customized for the Company or any Company Subsidiary and (iii) is licensed for an annual fee under $1,000.

(v) “Company-Licensed Data” means all data owned, or purported to be owned by third parties that isProcessed by the Company or any Company Subsidiary.

(vi) “Company-Owned Data” means each element of data collected, generated, or received that the Company or any Company Subsidiary owns or purports to own.

(vii) “Company-Owned Intellectual Property” means any and all Intellectual Property that is owned or purported to be owned by the Company or any Company Subsidiary.

(viii) “Company Privacy Policies” means, collectively, any and all (A) of the Company’s and each Company Subsidiary’s data privacy and security policies, whether applicable internally, or published on Company Websites or otherwise made available by the Company or any Company Subsidiary to any Person, (B) public representations (including representations on Company Websites), industry self-regulatory obligations and commitments and Contracts with third parties relating to the Processing of Company Data and (C) policies and obligations applicable to the Company or any Company Subsidiary as a result of Company’s or any Company Subsidiary’s certification under the EU-U.S. and Swiss-U.S. Privacy Shield Frameworks.

(ix) “Company Products” means all products or services produced, marketed, licensed, sold, distributed or performed by or on behalf of the Company or any Company Subsidiary and all products or services currently under development by the Company or any Company Subsidiary.

(x) “Company Registered Intellectual Property” means the United States, international and foreign: (A) patents and patent applications (including provisional applications), (B) registered trademarks, applications to register trademarks, intent-to-use applications, or other registrations or applications related to trademarks, (C) registered Internet domain names and (D) registered copyrights and applications for copyright registration, in each case registered or filed in the name of, or owned by, the Company or any Company Subsidiary.

(xi) “Company Source Code” means, collectively, any software source code or database specifications or designs, or any material proprietary information or algorithm contained in or relating to any software source code or database specifications or designs, of any Company-Owned Intellectual Property or Company Products.

(xii) “Company Websites” means all web sites owned, operated or hosted by the Company or any Company Subsidiary or through which the Company or any Company Subsidiary conducts the Business (including those web sites operated using the domain names listed in Schedule 2.10(c) of the Company Disclosure Letter), and the underlying platforms for such web sites.
“ICT Infrastructure” means the information and communications technology infrastructure and systems (including software, hardware, firmware, networks and the Company Websites) that is or has been used in the Business.

“Intellectual Property” means (A) Intellectual Property Rights and (B) Proprietary Information and Technology.

“Intellectual Property Rights” means any and all of the following and all rights in, arising out of, or associated therewith, throughout the world: patents, utility models, and applications therefor and all reissues, divisions, re-examinations, renewals, extensions, provisionalals, continuations and continuations-in-part thereof and equivalent or similar rights in inventions and discoveries anywhere in the world, including invention disclosures, common law and statutory rights associated with trade secrets, confidential and proprietary information and know-how, industrial designs and any registrations and applications therefor, trade names, logos, trade dress, trademarks and service marks, trademark and service mark registrations, trademark and service mark applications and any and all goodwill associated with and symbolized by the foregoing items, Internet domain name applications and registrations, social media accounts, Internet and World Wide Web URLs or addresses, copyrights, copyright registrations and applications therefor and all other rights corresponding thereto, database rights, mask works, mask work registrations and applications therefor and any equivalent or similar rights in semiconductor masks, layouts, architectures or topology, moral and economic rights of authors and inventors, however denominated and any similar or equivalent rights to any of the foregoing, and all benefits, privileges, causes of action and remedies relating to any of the foregoing.

“Open Source Materials” means software or other material that is distributed as “free software,” “open source software” or under similar licensing or distribution terms (including the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD licenses, the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL) the Sun Industry Standards License (SISL) and the Apache License).

“Personal Data” means any information relating to an identified or identifiable natural person including a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person or any other piece of information that allows the identification of a natural person or is otherwise considered personally identifiable information or personal information under Applicable Law.

“Privacy Laws” means (A) each Applicable Law applicable to Personal Data, including the General Data Protection Regulation (EU) 2016/679, EU-U.S. and Swiss-U.S. Privacy Shield Framework, the Payment Card Industry Data Security Standards, the Video Privacy Protection Act and direct marketing and advertising, profiling and tracking, e-mail, messaging and/or telemarketing, (B) guidance issued by a Governmental Entity that pertains to any Applicable Law and (C) applicable industry self-regulatory principles that are binding on the Company.

“Process” or “Processing” means, with respect to data, any operation or set of operations such as collection, recording, organization, structuring, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, restriction, erasure or destruction.

“Proprietary Information and Technology” means any and all of the following: works of authorship, computer programs, source code and executable code, whether embodied in software, firmware or otherwise, assemblers, applets, compilers, user interfaces, application programming interfaces, protocols, architectures, documentation, annotations, comments, designs, files, records, schematics, test methodologies, test vectors, emulation and simulation tools and reports, hardware development tools, models, tooling, prototypes, breadboards and other devices, data, data structures, databases, data compilations and collections, inventions (whether or not patentable), invention disclosures, discoveries, improvements, technology, proprietary and confidential ideas and information, tools, concepts, techniques, methods, processes, formulae, patterns, algorithms and specifications, customer lists and supplier lists and any and all instantiations or embodiments of the foregoing or any Intellectual Property Rights in any form and embodied in any media.
(xxi) “Third-Party Intellectual Property” means any and all Intellectual Property owned or purported to be owned by a third party.

(b) Status. The Company and each Company Subsidiary has full title and exclusive ownership of, or is duly licensed under or otherwise authorized to use, all Intellectual Property necessary to enable it to carry on the Business, free and clear of any Encumbrances. The Company Intellectual Property collectively constitutes all of the Intellectual Property necessary for Acquirer’s conduct of, or that are used in or held for use for, the Business without: (i) the need for Acquirer to acquire or license any other intangible asset, intangible property or Intellectual Property Right and (ii) the breach or violation of any Contract. Neither the Company nor any Company Subsidiary has transferred ownership of, or granted any exclusive rights in, any Company Intellectual Property to any third party. No third party has any ownership right, title, interest, claim in or lien on any of the Company-Owned Intellectual Property or Company-Owned Data.

(c) Company Registered Intellectual Property. Schedule 2.10(c) of the Company Disclosure Letter lists all Company Registered Intellectual Property, the jurisdictions in which it has been issued or registered or in which any application for such issuance and registration has been filed or the jurisdictions in which any other filing or recordation has been made and all actions that are required to be taken by the Company or any Company Subsidiary within 120 days following the Agreement Date in order to avoid prejudice to, impairment or abandonment of such Intellectual Property Rights (including all office actions, provisional conversions, annuity or maintenance fees or re-issuances). Each item of Company Registered Intellectual Property is valid (or in the case of applications, applied for) subsisting and enforceable, all registration, maintenance and renewal fees currently due in connection with such Company Registered Intellectual Property have been paid and all documents, recordations and certificates in connection with such Company Registered Intellectual Property currently required to be filed have been filed with the relevant patent, copyright, trademark or other authorities in the United States or foreign jurisdictions, as the case may be, for the purposes of prosecuting, maintaining and perfecting such Company Registered Intellectual Property and recording the Company’s and any Company Subsidiary’s ownership interests therein. The Company has provided to Acquirer tangible copies of all of the Company’s and all Company Subsidiary’s pending patent applications.

(d) Company Products. Schedule 2.10(d) of the Company Disclosure Letter lists all Company Products that have been made available for use or purchase by the Company or any Company Subsidiary, including any product or service currently under development and scheduled for commercial release within 90 days following the Agreement Date, for each such Company Product (and each version thereof) identifying its release date. The inventories of the Company are in good and marketable condition, and are salable in the ordinary course of business.

(e) No Assistance. At no time during the conception of or reduction to practice of any of the Company-Owned Intellectual Property was the Company or any Company Subsidiary or any developer, inventor or other contributor to such Company-Owned Intellectual Property operating under any grants from any Governmental Entity or agency or private source, or any university, college, other educational institution military, multi-national, bi-national or international organization or research center (each, an “R&D Sponsor”) performing (directly or indirectly) research sponsored by any R&D Sponsor or subject to any employment agreement or invention assignment or nondisclosure agreement or other obligation with any third party that could adversely affect the Company’s or any Company Subsidiary’s rights in such Company-Owned Intellectual Property. Without limiting the foregoing, no developer, inventor or other contributor was employed by or has performed services for any R&D Sponsor during the period of time during which such developer, inventor or other contributor was also performing services for the Company or any Company Subsidiary or during the 12-month period immediately prior to his or her employment or engagement with the Company or any Company Subsidiary. No R&D Sponsor has any claim of right to, ownership of or other encumbrance on any Company Intellectual Property.

(f) Founders. All rights in, to and under all Intellectual Property created by the Company’s founders for or on behalf or in contemplation of the Company or any Company Subsidiary (i) prior to the inception of the Company or (ii) prior to their commencement of employment with the Company have been duly and validly assigned to the Company, and the Company has no reason to believe that any such Person is unwilling to provide Acquirer or the Company with such cooperation as may reasonably be required to complete and prosecute all appropriate United States and foreign patent and copyright filings related thereto.
(g) **Invention Assignment and Confidentiality Agreement.** The Company and each Company Subsidiary has secured from all (i) current and former consultants, advisors, employees and independent contractors who independently or jointly contributed to or participated in the conception, reduction to practice, creation or development of any Intellectual Property for the Company and each Company Subsidiary and (ii) named inventors of patents and patent applications owned or purported to be owned by the Company and each Company Subsidiary (any Person described in clause (i) or (ii), an “Author”), unencumbered and unrestricted exclusive ownership of, all of the Authors’ right, title and interest in and to such Intellectual Property, and the Company has obtained the waiver of all non-assignable rights. No Author has retained any rights, licenses, claims or interest whatsoever with respect to any Intellectual Property developed by the Author for the Company or any Company Subsidiary. Without limiting the foregoing, the Company and each Company Subsidiary has obtained written and enforceable proprietary information and invention disclosure and Intellectual Property assignments from all current and former Authors and, in the case of patents and patent applications, such assignments have been recorded with the relevant authorities in the applicable jurisdiction or jurisdictions. The Company has provided to Acquirer copies of all forms of such disclosure and assignment documents currently and historically used by the Company and each Company Subsidiary and, in the case of patents and patent applications, the Company has provided to Acquirer copies of all such assignments.

(h) **No Violation.** To the knowledge of the Company, no current or former employee, consultant, advisor or independent contractor of the Company or any Company Subsidiary: (i) is in violation of any term or covenant of any Contract relating to employment, invention disclosure, invention assignment, non-disclosure or non-competition or any other Contract with any other party by virtue of such employee’s, consultant’s, advisor’s or independent contractor’s being employed by, or performing services for, the Company or any Company Subsidiary or using trade secrets or proprietary information of others without permission; or (ii) has developed any technology, software or other copyrightable, patentable or otherwise proprietary work for the Company or any Company Subsidiary that is subject to any agreement under which such employee, consultant, advisor or independent contractor has assigned or otherwise granted to any third party any rights (including Intellectual Property Rights) in or to such technology, software or other copyrightable, patentable or otherwise proprietary work. Neither the execution nor delivery of this Agreement will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any Contract of the type described in clause (i).

(i) **Confidential Information.** The Company and each Company Subsidiary has taken commercially reasonable steps to protect and preserve the confidentiality of all confidential or non-public information of the Company (including trade secrets) or provided by any third party to the Company or any Company Subsidiary (“Confidential Information”). All current and former employees and contractors of the Company and each Company Subsidiary and any third party having access to Confidential Information have executed and delivered to the Company or each Company Subsidiary a written legally binding agreement regarding the protection of such Confidential Information. To the knowledge of the Company, there has been no Company, Company Subsidiary or third-party breach of confidentiality.

(j) **Non-Infringement.** To the knowledge of the Company, there is no unauthorized use, unauthorized disclosure, infringement or misappropriation of any Company-Owned Intellectual Property by any third party. Neither the Company nor any Company Subsidiary has brought any Legal Proceeding for infringement or misappropriation of any Company-Owned Intellectual Property. Neither the Company nor any Company Subsidiary has any Liability for infringement or misappropriation of any Third-Party Intellectual Property. The operation of the Business, including (i) the design, development, manufacturing, reproduction, marketing, licensing, sale, offer for sale, importation, distribution, provision and/or use of any Company Product and/or Company-Owned Intellectual Property and (ii) the Company’s and each Company Subsidiary’s use of any product, device, process or service used in the Business as previously conducted, currently conducted and as proposed to be conducted by the Company and each Company Subsidiary, has not, does not and will not infringe (directly or indirectly, including via contribution or inducement), misappropriate or violate any Third-Party Intellectual Property, breach any terms of service, click-through agreement or any other agreement or rules, policies or guidelines applicable to use of such Third-Party Intellectual Property, and does not constitute unfair competition or unfair trade practices under the Applicable Law of any jurisdiction in which the Company or any Company Subsidiary conducts its business or in which Company Products are manufactured, marketed, distributed, licensed or sold and there is no basis for any such claims. Neither the Company nor any Company Subsidiary has been sued in any Legal Proceeding or received any written communications (including any third-party reports by users) alleging that the Company or any Company Subsidiary has infringed, misappropriated, or violated or, by conducting the Business, would infringe, misappropriate, or violate any Intellectual Property of any other Person or entity. No Company Intellectual Property or Company Product is subject to any Legal Proceeding, Order, settlement agreement or right that restricts in any manner the use, transfer or licensing thereof.
by the Company or any Company Subsidiary, or that may affect the validity, use or enforceability of any Company Intellectual Property. The Company has not received any opinion of counsel that any Company Product or Company-Owned Intellectual Property or the operation of the business of the Company or any Company Subsidiary, as previously or currently conducted, or as currently proposed to be conducted, infringes or misappropriates any Third-Party Intellectual Property Rights. The Company has implemented sufficient processes to verify and guarantee that none of the products or goods sold by or through the Company or any Company Subsidiary are counterfeit, and neither the Company nor any Company Subsidiary has any Liabilities arising from any sale of counterfeit products or goods by or through the Company or any Company Subsidiary. None of the products or goods sold by or through the Company or any Company Subsidiary are or have been counterfeit.

(k) Licenses; Agreements.

(i) Neither the Company nor any Company Subsidiary has granted any options, licenses or agreements of any kind relating to any Company-Owned Intellectual Property outside of nonexclusive licenses on the Company unmodified standard forms (copies of which have been provided to Acquirer), and neither the Company nor any Company Subsidiary is bound by or a party to any option, license or agreement of any kind with respect to any of the Company-Owned Intellectual Property.

(ii) Other than (A) as listed on Schedule 2.10(k) of the Company Disclosure Letter and (B) payments to consignment sellers pursuant to agreements on the Company’s standard unmodified forms of Consignment Agreement (copies of which have been provided to Acquirer), neither the Company nor any Company Subsidiary is obligated to pay any royalties or other payments to third parties with respect to the marketing, sale, distribution, manufacture, license or use of any Company Products or Company-Owned Intellectual Property or any other property or rights.

(l) Other Intellectual Property Agreements. With respect to the Company Intellectual Property Agreements:

(i) each such agreement is valid and subsisting and has, where required, been duly recorded or registered;

(ii) neither the Company nor any Company Subsidiary is (and will not be as a result of the execution and delivery or effectiveness of this Agreement or the performance of the Company’s obligations under this Agreement), in breach of any Company Intellectual Property Agreement and the consummation of the Transactions will not result in the modification, cancellation, termination, suspension of, or acceleration of any payments, rights, obligations or remedies with respect to any Company Intellectual Property Agreements, or give any non-Company party to any Company Intellectual Property Agreement the right to do any of the foregoing;

(iii) to the knowledge of the Company, no counterparty to any Company Intellectual Property Agreement is in breach thereof;

(iv) at and after the Closing, the Surviving Company (as a wholly owned subsidiary of Acquirer) will be permitted to exercise all of the Company’s rights under the Company Intellectual Property Agreements to the same extent the Company would have been able to had the Transactions not occurred and without the payment of any additional amounts or consideration other than ongoing fees, royalties or payments that the Company would otherwise be required to pay;

(v) to the knowledge of the Company, there are no disputes or Legal Proceedings (pending or threatened) regarding the scope of any Company Intellectual Property Agreements, or performance under any Company Intellectual Property Agreements including with respect to any payments to be made or received by the Company or any Company Subsidiary thereunder;

(vi) no Company Intellectual Property Agreement requires the Company or any Company Subsidiary to include any Third-Party Intellectual Property in any Company Product or obtain any Person’s approval of any Company Product at any stage of development, licensing, distribution or sale of that Company Product;

(vii) none of the Company Intellectual Property Agreements grants any third party exclusive rights to or under any Company Intellectual Property;
(viii) none of the Company Intellectual Property Agreements grants any third party the right to sublicense any Company Intellectual Property;

(ix) the Company and each Company Subsidiary has obtained valid, written, perpetual, non-terminable (other than for cause) licenses (sufficient for the conduct of the Business) to all Third-Party Intellectual Property that is incorporated into, integrated or bundled by the Company with any of the Company Products; and

(x) no third party that has licensed Intellectual Property Rights to the Company or any Company Subsidiary has ownership or license rights to improvements or derivative works made by the Company or any Company Subsidiary in the Third-Party Intellectual Property that has been licensed to the Company or any Company Subsidiary.

(m) Non-Contravention. None of the execution and performance of this Agreement, the consummation of the Transactions and the assignment to Acquirer and/or the Surviving Company by operation of law or otherwise of any Contracts to which the Company is a party or by which any of its assets is bound, will result in: (i) Acquirer or any of its Affiliates granting to any third party any right to or with respect to any Intellectual Property Rights owned by, or licensed to, Acquirer or any of its Affiliates, (ii) Acquirer or any of its Affiliates, being bound by or subject to, any exclusivity obligations, non-compete or other restriction on the operation or scope of their respective businesses, (iii) Acquirer or the Surviving Company being obligated to pay any royalties or other material amounts to any third party in excess of those payable by any of them, respectively, in the absence of this Agreement or the Transactions or (iv) any termination of, or other material impact to, any Company Intellectual Property.

(n) Company Source Code. Neither the Company nor any Company Subsidiary has disclosed, delivered or licensed to any Person or agreed or obligated itself to disclose, deliver or license to any Person, or permitted the disclosure or delivery to any escrow agent or other Person of, any Company Source Code, other than disclosures to employees, contractors and consultants (i) involved in the development of Company Products and (ii) subject to a written confidentiality agreement. No event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time, or both) will, or would reasonably be expected to, result in the disclosure, delivery or license by the Company or any Company Subsidiary of any Company Source Code, other than disclosures to employees and consultants involved in the development of Company Products. Without limiting the foregoing, neither the execution nor performance of this Agreement nor the consummation of any of the Transactions will result in a release from escrow or other delivery to a third party of any Company Source Code.

(o) Open Source Software. Schedule 2.10(o) of the Company Disclosure Letter identifies all Open Source Materials used in any Company Products or in the conduct of the Business, describes the manner in which such Open Source Materials were used (such description shall include whether (and, if so, how) the Open Source Materials were modified and/or distributed by the Company or any Company Subsidiary) and identifies the licenses under which such Open Source Materials were used. The Company and each Company Subsidiary is in compliance with the terms and conditions of all licenses for the Open Source Materials. Neither the Company nor any Company Subsidiary has (i) incorporated Open Source Materials into, or combined Open Source Materials with, the Company-Owned Intellectual Property or Company Products, (ii) distributed Open Source Materials in conjunction with any Company-Owned Intellectual Property or Company Products or (iii) used Open Source Materials, in such a way that, with respect to clauses (i) or (ii), creates, or purports to create, obligations for the Company with respect to any Company-Owned Intellectual Property or grant, or purport to grant, to any third party any rights or immunities under any Company-Owned Intellectual Property (including using any Open Source Materials that require, as a condition of use, modification and/or distribution of such Open Source Materials that other software incorporated into, derived from or distributed with such Open Source Materials be (A) disclosed or distributed in source code form, (B) be licensed for the purpose of making derivative works or (C) be redistributable at no charge). Neither the Company nor any Company Subsidiary has modified or created any derivative works of the Magento open source software code, and neither the Company nor any Company Subsidiary has any obligation to make any of its plug-ins or extensions to Magento available to any third parties under the terms of the Open Source License 3.0.

(p) Information Technology.

(i) Status. The ICT Infrastructure that is currently used in the Business: (A) constitutes all the information and communications technology and other systems infrastructure reasonably necessary to carry on the Business, including having sufficient capacity and maintenance and support requirements to satisfy the requirements of the Business as currently conducted and for the 180 days following the Agreement Date with regard to information and communications technology, data processing and communications; and (B) operates in good working order and functions in accordance with all applicable documentation and specifications without any substandard performance or defect in any part of the ICT Infrastructure.
(ii ) Except as set forth on Schedule 2.10(p)(ii) of the Company Disclosure Letter, the Company has implemented and maintains reasonable security, disaster recovery and business continuity plans consistent with industry practices of companies offering similar services, and acts in compliance therewith and has tested such plans on a periodic basis, and such plans have proven effective upon testing.

(q) Privacy and Personal Data .

(i) The Company’s each Company Subsidiary’s data, privacy and security practices conform, and at all times have conformed, to all of the Company Privacy Commitments, Privacy Laws and Company Data Agreements. The Company and each Company Subsidiary has at all times: (A) had the legal bases (including providing adequate notice and obtained any necessary consents from individuals) required for the Processing of Personal Data as conducted by or for the Company or any Company Subsidiary, and (B) abided by any privacy choices (including opt-out preferences) of individuals relating to Personal Data (such obligations along with those contained in Company Privacy Policies, collectively, “ Company Privacy Commitments ”). Neither the execution, delivery and performance of this Agreement nor the taking over by Acquirer of all of the Company Databases, Company Data and other information relating to the Company’s or any Company Subsidiary’s end users, employees, vendors or clients or any other category of individuals, will cause, constitute, or result in a breach or violation of any Privacy Laws or Company Privacy Commitments, any Company Data Agreements or standard terms of service entered into by the Company or any Company Subsidiary with individuals the Personal Data of whom is collected, processed or maintained by each of the Company and its data processors. Copies of all current and prior Company Privacy Policies have been made available to Acquirer and such copies are true, correct and complete.

(ii) The Company and each Company Subsidiary has established and maintains appropriate technical, physical and organizational measures and security systems and technologies in compliance with all data security requirements under Privacy Laws and Company Privacy Commitments that are designed to protect Company Data against accidental or unlawful Processing in a manner appropriate to the risks represented by the Processing of such data by the Company and its data processors. The Company, each Company Subsidiary and their data processors have taken commercially reasonable steps to ensure the reliability of its employees and contractors who have access to Company Data, to train such employees on all applicable aspects of Privacy Laws and Company Privacy Commitments and to ensure that all employees with the right to access such data are under written obligations of confidentiality with respect to such data.

(iii) Neither the Company nor any Company Subsidiary has received or experienced and, to the knowledge of the Company, there is no circumstance (including any circumstance arising as the result of an audit or inspection carried out by any Governmental Entity) that would reasonably be expected to give rise to, any Legal Proceeding, Order, notice, communication, warrant, regulatory opinion, audit result or allegation from a Governmental Entity or any other Person (including an end user): (A) alleging or confirming non-compliance with a relevant requirement of Privacy Laws or Company Privacy Commitments, (B) requiring or requesting the Company or any Company Subsidiary to amend, rectify, cease Processing, de-combine, permanently anonymize, block or delete any Company Data, (C) permitting or mandating relevant Governmental Entities to investigate, requisition information from, or enter the premises of, the Company or any Company Subsidiary or (D) claiming compensation from the Company or any Company Subsidiary. Neither the Company nor any Company Subsidiary has been involved in any Legal Proceedings involving a breach or alleged breach of Privacy Laws or Company Privacy Commitments.

(iv) Schedule 2.10(q)(iv) of the Company Disclosure Letter contains the complete list of notifications and registrations made by the Company or any Company Subsidiary under Privacy Laws with relevant Governmental Entities in connection with the Company’s or any Company Subsidiary’s Processing of Personal Data. All such notifications and registrations (including the Company’s and each Company Subsidiary’s certification under the EU-U.S. and Swiss-U.S. Privacy Shield Frameworks) are valid, accurate, complete and fully paid up and, to the knowledge of the Company, the consummation of the Transactions will not invalidate such notification or registration or require such notification or registration to be amended. Other than the notifications and registrations set forth on Schedule 2.10(q)(iv) of the Company Disclosure Letter, no other registrations or notifications are required in connection with the Processing of Personal Data by Company. Neither the Company nor any Company Subsidiary Processes the Personal Data of any natural Person under the age of 13.
(v) Where the Company or any Company Subsidiary uses a data processor to Process Personal Data, the processor has provided guarantees, warranties or covenants in relation to Processing of Personal Data, confidentiality, security measures and compliance with those obligations that are sufficient for the Company’s or such Company Subsidiary’s compliance with Privacy Laws and Company Privacy Commitments, and there is in existence a written Contract between the Company or any Company Subsidiary and each such data processor that complies with the requirements of all Privacy Laws and Company Privacy Commitments. The Company has made available to Acquirer true, correct and complete copies of all such Contracts. To the knowledge of the Company, such data processors have not breached any such Contracts pertaining to Personal Data Processed by such Persons on behalf of Company or any Company Subsidiary.

(vi) Except as set forth on Schedule 2.10(q)(vi) of the Company Disclosure Letter, neither the Company nor any Company Subsidiary has transferred or permitted the transfer of Personal Data originating in the EEA outside the EEA, except where such transfers have complied with the requirements of Privacy Laws and Company Privacy Commitments, including the Company’s and each Company Subsidiary’s certification under the EU-U.S. and Swiss-U.S. Privacy Shield Frameworks.

(r) Data and Data Security.

(i) No Breach. Except as set forth on Schedule 2.10(r)(i) of the Company Disclosure Letter, no security incident, violation of any data security policy, breach, or unauthorized access in relation to Company Data, Company Databases, or Confidential Information (including Personal Data in the Company’s or any Company Subsidiary’s possession, custody or control) has occurred or is threatened, and there has been no unauthorized or illegal Processing of any of the foregoing. Except as set forth on Schedule 2.10(r)(i) of the Company Disclosure Letter, no circumstance has arisen in which: (A) Applicable Laws (including Privacy Laws) would require the Company or any Company Subsidiary to notify a Governmental Entity of a data security breach or security incident or (B) applicable guidance or codes of practice promulgated under Applicable Laws (including Privacy Laws) would recommend the Company or any Company Subsidiary to notify a Governmental Entity of a data security breach.

(ii) Company Databases. Schedule 2.10(r)(ii) of the Company Disclosure Letter identifies and describes each distinct electronic or other repository or database containing (in whole or in part) Company Data maintained by or for the Company or any Company Subsidiary at any time (collectively, the “Company Databases”), the types of Company Data in each such database (including by Company-Licensed Data and Company Owned Data), the means by which the Company Data was collected or received and the security policies that have been adopted and maintained with respect to each such Company Database.

(iii) Processing. The Company and each Company Subsidiary has valid and subsisting contractual rights to Process or to have Processed all Company-Licensed Data howsoever obtained or collected by or for the Company or any Company Subsidiary in the manner that it is Processed by or for the Company or any Company Subsidiary. The Company and each Company Subsidiary has all rights, and all permissions, licenses or authorizations required under Applicable Laws (including Privacy Laws) and relevant Contracts (including Company Data Agreements), to retain, produce copies, prepare derivative works, disclose, combine with other data, and grant third parties rights, as the case may be, to each of the Company-Licensed Data as necessary for the operation of the Business as presently conducted. The Company has been and is in compliance with all Contracts pursuant to which the Company Processes or has Processed Company-Licensed Data, and the consummation of the Transactions will not conflict with, or result in any violation or breach of, or default under, any such Contract. Schedule 2.10(r)(iii) of the Company Disclosure Letter identifies each Contract governing any Company-Licensed Data to which the Company is a party or is bound by, except the standard terms of use entered into by users of the Company Products (copies of which have been provided to Acquirer).

(iv) Company Data. The Company is the owner of all right, title and interest in and to each element of Company-Owned Data. The Company has the right to Process all Company-Owned Data without obtaining any permission or authorization of any Person. Other than as set forth on Schedule 2.10(r)(iv) of the Company Disclosure Letter, the Company has not entered into any Contract governing any Company-Owned Data or to which the Company is a party or bound by, except the standard terms of use entered into by users of the Company Products (copies of which have been provided to Acquirer).

(v) No Data Warranty. The Company has never directly stated or indirectly implied that Company Products enhance the security of data (including Personal Data) accessed, provided or sent by end users.
(s) **No Defects.** The Company Intellectual Property is free from material defects and bugs, and substantially conforms to the applicable specifications, documentation, and samples therefor. The software included in the Company Intellectual Property does not and shall not contain (a) any clock, timer, counter, or other limiting or disabling code, design, routine, or any viruses, Trojan horses, or other disabling or disruptive codes or commands that would cause such Software to be erased, made inoperable, or otherwise rendered incapable of performing in accordance with its performance specifications and descriptions or otherwise limit or restrict the Company’s or any Person’s ability to use such software or the Company Intellectual Property, including after a specific or random number of years or copies, or (b) any back doors or other undocumented access mechanism allowing unauthorized access to, and viewing, manipulation, modification, or other changes to, such Software or Company Intellectual Property.

(t) **Standards Bodies.** (i) The Company is not and has never been a member of, a contributor to, or affiliated with, any industry standards organization, body, working group, or similar organization, and (ii) neither the Company nor any Company-Owned Intellectual Property is subject to any licensing, assignment, contribution, disclosure, or other requirements or restrictions of any industry standards organization, body, working group, or similar organization. The Company has provided Acquirer with accurate and complete copies of all governing documents and other Contracts (including charter, bylaws, and participation guidelines) relating to the Company’s membership in, contribution to, or affiliation with any industry standards organization, body, working group, or similar organization.

(u) **Warranties; Company Products.** No Company Product or service related thereto is subject to any guaranty, warranty, right of return, right of credit, or other indemnity other than the applicable standard terms and conditions of sale, license, or lease of the Company, which are set forth in Schedule 2.10(u) of the Company Disclosure Letter. Schedule 2.10(u) of the Company Disclosure Letter sets forth the aggregate expenses incurred by the Company in fulfilling its obligations under such provisions during each of the fiscal years and the interim period covered by the Financial Statements, and, to the knowledge of the Company, there exists no fact, circumstance, or condition that would reasonably be expected to result in such expenses significantly increasing as a percentage of sales in the future. There have been no product liability Claims relating to the Company, or any Company Products, or services related thereto.

(v) **Company Websites.** To the knowledge of the Company, no domain names have been registered by any Person that are similar to any trademarks, service marks, domain names or business or trading names used, created or owned by the Company. The contents of any Company Website and all transactions conducted over the Internet comply with Applicable Law and codes of practice in any applicable jurisdiction.

(w) **Digital Millennium Copyright Act.** The Company conducts and has conducted the Business in such a manner as to take reasonable advantage, if and when applicable, of the safe harbors provided by Section 512 of the Digital Millennium Copyright Act (the “**DMCA**”) and by any substantially similar Applicable Law in any other jurisdiction in which the Company conducts the Business, including by informing users of its products and services of such policy, designating an agent for notice of infringement claims, registering such agent with the United States Copyright Office, and taking appropriate action expeditiously upon receiving notice of possible infringement in accordance with the “notice and take-down” procedures of the DMCA or such other Applicable Law.

2.11 **Taxes.**

(a) The Company and each Company Subsidiary has timely filed all Tax Returns required to be filed by it prior to the Closing Date and has timely paid all Taxes required to be paid by it on such Tax Returns (whether or not shown on any Tax Return), and has no Liability for Taxes in excess of the amounts so paid. All such Tax Returns were complete and accurate in all material respects and have been prepared in compliance with Applicable Law. There is no claim for Taxes that has resulted in an Encumbrance against any of the assets of the Company or any Company Subsidiary other than a Permitted Encumbrance.

(b) The Company and each Company Subsidiary has delivered to Acquirer true, correct and complete copies of all Tax Returns, examination reports and statements of deficiencies, adjustments and proposed deficiencies and adjustments in respect of the Company and of each Company Subsidiary.

(c) The Company Balance Sheet reflects all Liabilities for unpaid Taxes of the Company and each Company Subsidiary for periods (or portions of periods) through the Company Balance Sheet Date. Neither the Company nor any Company Subsidiary has any Liability for unpaid Taxes accruing after the Company Balance Sheet Date except for Taxes arising in the ordinary course of business and consistent with past practice following the Company Balance Sheet Date.
(d) Except as set forth on Schedule 2.11(d) of the Company Disclosure Letter, there is (i) no past or pending audit of, or Tax controversy associated with, any Tax Return of the Company or of any Company Subsidiary that has been or is being conducted by a Tax Authority, (ii) no other procedure, proceeding or contest of any refund or deficiency in respect of Taxes pending or on appeal with any Governmental Entity, (iii) no extension of any statute of limitations on the assessment of any Taxes granted by the Company or by any Company Subsidiary currently in effect, and (iv) no agreement with a Tax Authority to any extension of time for filing any Tax Return that has not been filed. No claim has ever been made by any Governmental Entity in a jurisdiction where either the Company or any Company Subsidiary does not file Tax Returns that the Company or any Company Subsidiary is or may be subject to taxation by that jurisdiction.

(e) Neither the Company nor any Company Subsidiary is not a party to or bound by any Tax sharing, Tax indemnity, or Tax allocation agreement, and neither the Company nor any Company Subsidiary has any Liability or potential Liability to another party under any such agreement.

(f) Neither the Company nor any predecessor of the Company is or has ever been a member of a consolidated, combined, unitary or aggregate group of which the Company or any predecessor of the Company was not the ultimate parent corporation.

(g) Neither the Company nor any Company Subsidiary has any Liability for the Taxes of any Person (other than the Company or any Company Subsidiary) under Section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or foreign law), as a transferee or successor, by operation of Applicable Law, by Contract or otherwise.

(h) Neither the Company nor any Company Subsidiary owns and has never owned directly or indirectly an interest in a corporation, association, joint venture, partnership, limited liability company or other “business entity” within the meaning of Treasury Regulation Section 301.7701-2(a), other than the Company Subsidiaries. The Company is, and since its formation has been, classified as a partnership for all U.S. federal and applicable state income Tax purposes. Each Company Subsidiary is, and has been since its formation, classified as an entity disregarded as separate from the Company under Treasury Regulation Section 301.7701-3(b)(1)(ii).

(i) The Company and each Company Subsidiary has provided to Acquirer all documentation relating to any applicable Tax holidays or incentives. The Company and each Company Subsidiary is in compliance with the requirements for any applicable Tax holidays or incentives and none of the Tax holidays or incentives will be jeopardized by the Transactions.

(j) Except as set forth on Schedule 2.11(j) of the Company Disclosure Letter, neither the Company nor any Company Subsidiary has received any private letter ruling from the IRS (or any comparable Tax ruling from any other Governmental Entity) that would apply to the Company or any Company Subsidiary after the Closing Date.

(k) Neither the Company nor any Company Subsidiary is subject to Tax in any foreign jurisdiction by virtue of having employees, a permanent establishment or any other place of business in such jurisdiction. Neither the Company nor any Company Subsidiary has (i) employees, (ii) an office or other place of business, (iii) sales representatives or other persons selling or offering to sell on the Company’s or any Company Subsidiary’s behalf or referring customers for a fee or (iv) a volume of sales or volume of transactions, in each case in any U.S. State other than U.S. States in which it currently files a Tax Return that reasonably could be expected to cause the Company or any Company Subsidiary to be subject to income Tax, sales Tax, use Tax, gross receipts Tax or any other type of Tax in that State.

(l) The Company and each Company Subsidiary has (i) complied with all Applicable Law relating to the payment, reporting and withholding of Taxes (including withholding of Taxes pursuant to Sections 1441, 1442, 1445, 1446, 1471, 1472 and 3406 of the Code or similar provisions under any foreign law), (ii) withheld (within the time and in the manner prescribed by Applicable Law) from employee wages or consulting compensation and paid over to the proper governmental authorities (or is properly holding for such timely payment) all amounts required to be so withheld and paid over under all Applicable Law, including federal and state income Taxes, Federal Insurance Contribution Act, Medicare, Federal Unemployment Tax Act, relevant state income and employment Tax withholding laws, and (iii) timely filed all withholding Tax Returns, for all periods through and including the Closing Date.

(m) Neither the Company nor any Company Subsidiary owns, and has never owned, any assets that are considered “United States real property interests” within the meaning of Section 897(c) of the Code.
Neither the Company nor any Company Subsidiary has received a claim from a Tax Authority that an independent contractor retained by the Company or any Company Subsidiary should instead be classified as an employee of the Company or such Company Subsidiary.

Schedule 2.11(o) of the Company Disclosure Letter lists all “nonqualified deferred compensation plans” (within the meaning of Section 409A of the Code) to which the Company or any Company Subsidiary is a party. Each such nonqualified deferred compensation plan to which the Company or any Company Subsidiary is a party complies with the requirements of paragraphs (2), (3) and (4) of Section 409A(a) by its terms and has been operated in accordance with such requirements. No event has occurred that would be treated by Section 409A(b) as a transfer of property for purposes of Section 83 of the Code. Neither the Company nor any Company Subsidiary is under any obligation to gross up any Taxes with respect to a “nonqualified deferred compensation plan” under Section 409A of the Code.

Except as set forth on Schedule 2.11(p) of the Company Disclosure Letter, there is no agreement, plan, arrangement or other Contract covering any current or former employee or other service provider of the Company or any Company Subsidiary or any ERISA Affiliate to which the Company or any Company Subsidiary is a party or by which the Company or any Company Subsidiary or their assets is bound that, considered individually or considered collectively with any other such agreements, plans, arrangements or other Contracts, will, or would reasonably be expected to, as a result of the Transactions (whether alone or upon the occurrence of any additional or subsequent events), give rise directly or indirectly to the payment of any amount that would reasonably be expected to be non-deductible or be characterized as a “parachute payment” within the meaning of Section 280G of the Code (or any corresponding or similar provision of state, local or foreign Tax law). The Company meets the following requirement which exempts the Company from Section 280G of the Code: the Company is not a “corporation” as defined in Q/A-45 of Treasury Regulation Section 1.280G-1. Neither the Company nor any Company Subsidiary has ever had any obligation to report, withhold or gross up any excise Taxes under Section 280G or Section 4999 of the Code.

2.12 Employee Benefit Plans and Employee Matters.

Schedule 2.12(a) of the Company Disclosure Letter lists, with respect to the Company and any trade or business (whether or not incorporated) that is treated as a single employer with the Company (an “ERISA Affiliate”) within the meaning of Section 414(b), (c), (m) or (o) of the Code, (i) all “employee benefit plans” within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), (ii) each loan to an employee, (iii) all unit option, unit purchase, unit appreciation right, restricted unit, contingent value rights, “phantom” units or rights or similar securities or rights that are derivative of, or provide economic benefits based, directly or indirectly, on the value or price of any Company Units, supplemental retirement, severance, sabbatical, medical, dental, vision care, disability, employee relocation, cafeteria benefit (Section 125 of the Code), dependent care (Section 129 of the Code), life insurance or accident insurance plans, programs or arrangements, (iv) all bonus, pension, profit sharing, savings, severance, retirement, deferred compensation or incentive plans (including cash incentive plans), programs or arrangements, (v) all other fringe or employee benefit plans, programs or arrangements and (vi) all employment, individual consulting, retention, change of control or executive compensation or severance agreements, written or otherwise, as to which any unsatisfied obligations of the Company remain for the benefit of, or relating to, any present or former employee or consultant of the Company (all of the foregoing described in clauses (i) through (vi), collectively, the “Company Employee Plans”).

The Company has delivered to Acquirer a true, correct and complete copy of each of the Company Employee Plans and related plan documents. The Company does not sponsor or maintain any self-funded employee benefit plan, including any plan to which a stop-loss policy applies. The Company has provided to Acquirer true, correct and complete copy of each of the Company Employee Plans and related plan documents (including trust documents, insurance policies or Contracts, employee booklets, summary plan descriptions and other authorizing documents, and any material employee communications relating thereto) and has, with respect to each Company Employee Plan that is subject to ERISA reporting requirements, provided to Acquirer true, correct and complete copies of the Form 5500 reports filed for the last three plan years. Any Company Employee Plan intended to be qualified under Section 401(a) of the Code has either obtained from the IRS a favorable determination letter as to its qualified status under the Code, including all amendments to the Code effected by the Tax Reform Act of 1986 and subsequent legislation, or has applied (or has time remaining in which to apply) to the IRS for such a determination letter prior to the expiration of the requisite period under applicable Treasury Regulations or IRS pronouncements in which to apply for such determination letter and to make any amendments necessary to obtain a favorable determination or has been established under a standardized prototype plan for which an IRS opinion letter has been obtained by the plan sponsor and is valid as to the adopting employer. The
Company has provided to Acquirer a true, correct and complete copy of the most recent IRS determination or opinion letter issued with respect to each such Company Employee Plan, and nothing has occurred since the issuance of each such letter that would reasonably be expected to cause the loss of the Tax-qualified status of any Company Employee Plan subject to Section 401(a) of the Code. The Company has provided to Acquirer all registration statements and prospectuses prepared in connection with each Company Employee Plan. All individuals who, pursuant to the terms of any Company Employee Plan, are entitled to participate in any Company Employee Plan, are currently participating in such Company Employee Plan or have been offered an opportunity to do so and have declined in writing.

(c) None of the Company Employee Plans promises or provides retiree medical or other retiree welfare benefits to any person other than as required under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”) or similar state law and the Company has complied with the requirements of COBRA. There has been no “prohibited transaction” (within the meaning of Section 406 of ERISA and Section 4975 of the Code and not exempt under Section 408 of ERISA and regulatory guidance thereunder) with respect to any Company Employee Plan. Each Company Employee Plan has been administered in accordance with its terms and in compliance with the requirements prescribed by any and all statutes, rules and regulations (including ERISA and the Code), and the Company and each ERISA Affiliate has performed all obligations required to be performed by it under, is not in default under or in violation of, and has no knowledge of any default or violation by any other party to, any of the Company Employee Plans. Neither the Company nor any ERISA Affiliate is subject to any Liability or penalty under Sections 4976 through 4980 of the Code or Title I of ERISA with respect to any Company Employee Plans. All contributions required to be made by the Company or any ERISA Affiliate to any Company Employee Plan have been made on or before their due dates and a reasonable amount has been accrued for contributions to each Company Employee Plan for the current plan years (and no further contributions will be due or will have accrued thereunder as of the Closing Date, other than contributions accrued in the ordinary course of business and consistent with past practice after the Company Balance Sheet Date as a result of the operations of the Company after the Company Balance Sheet Date). In addition, with respect to each Company Employee Plan intended to include a Code Section 401(k) arrangement, the Company and each of the ERISA Affiliates have at all times made timely deposits of employee salary reduction contributions and participant loan repayments, as determined pursuant to regulations issued by the United States Department of Labor. No Company Employee Plan is covered by, and neither the Company nor any ERISA Affiliate has incurred or expects to incur any Liability under Title IV of ERISA or Section 412 of the Code. Each Company Employee Plan can be amended, terminated or otherwise discontinued after the Effective Time in accordance with its terms, without Liability to Acquirer (other than ordinary and reasonable administrative expenses typically incurred in a termination event). With respect to each Company Employee Plan subject to ERISA as either an employee pension benefit plan within the meaning of Section 3(2) of ERISA or an employee welfare benefit plan within the meaning of Section 3(1) of ERISA, the Company and any applicable ERISA Affiliate have prepared in good faith and timely filed all requisite governmental reports (which were true, correct and complete as of the date filed), including any required audit reports, and have properly and timely filed and distributed or posted all notices and reports to employees required to be filed, distributed or posted with respect to each such Company Employee Plan. No suit, administrative proceeding, action, litigation or claim has been brought, or to the knowledge of the Company, is threatened, against or with respect to any such Company Employee Plan, including any audit or inquiry by the IRS or United States Department of Labor.

(d) There has been no amendment to, written interpretation or announcement (whether or not written) by the Company or other ERISA Affiliate relating to, or change in participation or coverage under, any Company Employee Plan that would materially increase the expense of maintaining such Company Employee Plan above the level of expense incurred with respect to such Company Employee Plan for the most recent full fiscal year included in the Financial Statements.

(e) Neither the Company nor any current or former ERISA Affiliate currently maintains, sponsors, participates in or contributes to, or has ever maintained, established, sponsored, participated in, contributed to or been required to contribute to, any pension plan (within the meaning of Section 3(2) of ERISA) that is subject to Part 3 of Subtitle B of Title I of ERISA, Title IV of ERISA or Section 412 of the Code.

(f) Neither the Company nor any ERISA Affiliate is a party to, or has made any contribution to or otherwise incurred any obligation under, any “multiemployer plan” as such term is defined in Section 3(37) of ERISA or any “multiple employer plan” as such term is defined in Section 413(c) of the Code.

(g) No Company Employee Plan is sponsored, maintained or contributed to under the law or applicable custom or rule of any jurisdiction outside of the United States.
(h) The Company is, and at all times has been, in compliance in all material respects with all Applicable Law respecting employment, discrimination in employment, terms and conditions of employment, employee benefits, worker classification (including the proper classification of workers as independent contractors and consultants), wages, hours and occupational safety and health and employment practices, including the Immigration Reform and Control Act and, with respect to each Company Employee Plan, (i) the applicable health care continuation and notice provisions of COBRA and the regulations (including proposed regulations) thereunder, (ii) the applicable requirements of the Family Medical Leave Act of 1993 and the regulations (including proposed regulations) thereunder, (iii) the applicable requirements of the Health Insurance Portability and Accountability Act of 1996 and the regulations (including proposed regulations) thereunder, (iv) the applicable requirements of the Americans with Disabilities Act of 1990, as amended and the regulations (including proposed regulations) thereunder, (v) the Age Discrimination in Employment Act of 1967, as amended, and (vi) the applicable requirements of the Women’s Health and Cancer Rights Act of 1998 and the regulations (including proposed regulations) thereunder. The Company is not engaged in any unfair labor practice. The Company is not liable for any arrears of wages, compensation, Taxes, penalties or other sums for failure to comply with any of the foregoing. The Company has paid in full to all employees, independent contractors and consultants all wages, salaries, commissions, bonuses, benefits and other compensation due to or on behalf of such employees, independent contractors and consultants. The Company is not liable for any payment to any trust or other fund or to any Governmental Entity, with respect to unemployment compensation benefits, social security or other benefits or obligations for employees (other than routine payments to be made in the normal course of business and consistently with past practice). There are no pending claims against the Company under any workers compensation plan or policy or for long term disability. Except as set forth on Schedule 2.12(h) of the Company Disclosure Letter, the Company does not have any obligations under COBRA with respect to any former employees or qualifying beneficiaries thereunder, except for obligations that are not material in amount. There are no controversies pending or, to the knowledge of the Company, threatened, between the Company and any of its employees, which controversies have or would reasonably be expected to result in a Legal Proceeding before any Governmental Entity. Except as set forth on Schedule 2.12(h) of the Company Disclosure Letter, the Company has not entered into any settlement agreement relating to an allegation of sexual harassment or other sexual misconduct, and to the knowledge of the Company, no allegations of sexual harassment or other sexual misconduct have been made against, any officer, employee, contractor or other representative of the Company.

(i) The Company has provided to Acquirer true, correct and complete copies of each of the following: (i) all forms of offer letters, (ii) all forms of employment agreements and severance agreements, (iii) all forms of services agreements and agreements with current and former consultants and/or advisory board members, (iv) all forms of confidentiality, non-competition or inventions agreements between current and former employees/consultants and the Company (and a true, correct and complete list of employees, consultants and/or others not subject thereto), (v) the most current management organization chart(s), (vi) all forms of bonus plans and any form award agreement thereunder, (vii) a schedule of bonus commitments made to employees of the Company and (viii) in each case, any agreements or other arrangements that materially deviate from such forms.

(j) The Company is not a party to or bound by any collective bargaining agreement, works council arrangement or other labor union Contract, no collective bargaining agreement is being negotiated by the Company and the Company does not have any duty to bargain with any labor organization. There is no pending demand for recognition or any other request or demand from a labor organization for representative status with respect to any Person employed by the Company. To the knowledge of the Company, there are no activities or proceedings of any labor union or to organize their respective employees. There is no labor dispute, strike or work stoppage against the Company pending or, to the knowledge of the Company, threatened that may interfere with the conduct of the Business. Neither the Company nor, to the knowledge of the Company, any of its Representatives has committed any unfair labor practice in connection with the conduct of the Business, and there is no charge or complaint against the Company by the National Labor Relations Board or any comparable Governmental Entity pending or, to the knowledge of the Company, threatened. Except as set forth on Schedule 2.12(j) of the Company Disclosure Letter, no employee of the Company has been terminated in the 12 months immediately preceding the Agreement Date.

(k) Schedule 2.12(k) of the Company Disclosure Letter sets forth each non-competition agreement and non-solicitation agreement that binds any current or former employee of the Company or any Company Subsidiary (other than those agreements entered into with newly hired employees of the Company or any Company Subsidiary in the ordinary course of business and consistent with past practice). To the knowledge of the Company, no employee of the Company or any Company Subsidiary is in violation of any term of any employment agreement, non-competition agreement or any restrictive covenant to a former employer relating to the right of any such employee to be employed by the Company or any Company Subsidiary because of the nature of the Business or to the use of trade secrets or proprietary information of others. To the knowledge
of the Company, no contractor of the Company or any Company Subsidiary is in violation of any term of any non-competition agreement or any restrictive covenant to a former employer relating to the right of any such contractor to be providing services to the Company or any Company Subsidiary because of the nature of the Business or to the use of trade secrets or proprietary information of others. Except as set forth on Schedule 2.12(k) of the Company Disclosure Letter, no employee of the Company or any Company Subsidiary has given notice to the Company and, to the knowledge of the Company, no employee of the Company or any Company Subsidiary intends to terminate his or her employment with the Company or such Company Subsidiary. Except as set forth on Schedule 2.12(k) of the Company Disclosure Letter, the employment of each of the employees of the Company and the Company Subsidiaries is “at will” (except for non-United States employees of the Company located in a jurisdiction that does not recognize the “at will” employment concept) and neither the Company nor any Company Subsidiary has any obligation to provide any particular form or period of notice prior to terminating the employment of any of their respective employees. As of the Agreement Date, neither the Company nor any Company Subsidiary has, and to the knowledge of the Company, no other Person has, (i) entered into any Contract that obligates or purports to obligate Acquirer to make an offer of employment to any present or former employee or consultant of the Company or any Company Subsidiary and/or (ii) promised or otherwise provided any assurances (contingent or otherwise) to any present or former employee or consultant of the Company or any Company Subsidiary of any terms or conditions of employment with Acquirer following the Effective Time.

(i) Schedule 2.12(l)(i) of the Company Disclosure Letter sets forth a true, correct and complete list of all officers and employees of the Company and each Company Subsidiary, showing each such individual’s name, position, annual remuneration, the employing entity of such individual, the state in which such individual is employed, whether such individual is in active employment or on leave (and expected return date, if applicable), salary or wage rate, status as exempt/non-exempt, bonuses and fringe benefits for the current fiscal year and the most recently completed fiscal year, vacation eligibility for the current calendar year (including accrued vacation from prior years, if any), and visa status. The Company shall provide Acquirer with an updated version of Schedule 2.12(l)(i) at a minimum of three Business Days, but no later than six Business Days, prior to the Closing Date. The Company has no employees outside of the United States. Schedule 2.12(l)(iii) of the Company Disclosure Letter sets forth a true, correct and complete list of all of the Company’s consultants and independent contractors to which the Company has made payments in excess of $10,000 during the nine-month period ended September 30, 2018, and all of the Company’s advisory board members and, for each, (i) such individual’s compensation, (ii) such individual’s initial date of engagement, (iii) whether such engagement has been terminated by written notice by either party thereto and (iv) the notice or termination provisions applicable to the services provided by such individual.

(m) Except as set forth on Schedule 2.12(m) of the Company Disclosure Letter, there are no performance improvements or disciplinary actions contemplated or pending against any of the Company’s or any Company Subsidiary’s employees.

(n) The Company and the Company Subsidiaries are in compliance in all material respects with the Worker Adjustment Retraining Notification Act of 1988, as amended (the “WARN Act”), or any similar state or local law. In the past two years, (i) neither the Company nor any Company Subsidiary has effectuated a “plant closing” (as defined in the WARN Act) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of its business, (ii) there has not occurred a “mass layoff” (as defined in the WARN Act) affecting any site of employment or facility of the Company or any Company Subsidiary and (iii) neither the Company nor any Company Subsidiary has been affected by any transaction or engaged in layoffs or employment terminations sufficient in number to trigger application of any similar state, local or foreign law or regulation. Neither the Company nor any Company Subsidiary has caused any of its employees to suffer an “employment loss” (as defined in the WARN Act) during the 90-day period immediately preceding the Agreement Date.

(o) The execution, delivery and performance of this Agreement, the consummation of the Transactions, any termination of employment or service or any other event in connection therewith or subsequent thereto will not, individually or together or with the occurrence of some other event (whether contingent or otherwise), (i) result in any payment or benefit (including severance, golden parachute, bonus or otherwise, but excluding any government-mandated unemployment benefits) becoming due or payable, or required to be provided, to any current or former employee independent contractor or consultant, (ii) increase the amount or value of any benefit or compensation otherwise payable or required to be provided to any current or former employee, independent contractor or consultant, (iii) result in the acceleration of the time of payment, vesting or funding of any such benefit or compensation, (iv) increase the amount of compensation due to any Person, (v) result in the forgiveness in whole or in part of any outstanding loans made by the Company or any Company Subsidiary to any Person or (vi) limit or restrict the ability of the Company or any Company Subsidiary and, after the Closing, Acquirer or any of its Affiliates, to merge, amend or terminate any Company Employee Plan without Liability to Acquirer (other than ordinary and reasonable administrative expense).
2.13 Interested-Party Transactions. Except as set forth on Schedule 2.13 of the Company Disclosure Letter, none of the officers of the Company or any Company Subsidiary and, to the knowledge of the Company, none of the other employees of the Company or any Company Subsidiary, any Company Members, and none of the immediate family members of any of the foregoing, (i) has any direct or indirect ownership, participation, royalty or other interest in, or is an officer, employee of or consultant or contractor for any firm, partnership, entity or corporation that competes with, or does business with, or has any contractual arrangement with, the Company or any Company Subsidiary (except with respect to any interest in less than 5% of the stock of any corporation whose stock is publicly traded), (ii) is a party to, or to the knowledge of the Company, otherwise directly or indirectly interested in, any Contract to which the Company or any Company Subsidiary is a party or by which the Company or any Company Subsidiary or any of its or their assets is bound, except for normal compensation for services as an officer or employee thereof or (iii) to the knowledge of the Company, has any interest in any property, real or personal, tangible or intangible (including any Intellectual Property) that is used in, or that relates to, the Business, except for the rights of Company Members under Applicable Law.

2.14 Insurance. The Company maintains the policies of insurance and bonds set forth in Schedule 2.14 of the Company Disclosure Letter, including all legally required workers’ compensation insurance and errors and omissions, casualty, fire and general liability insurance. Schedule 2.14 of the Company Disclosure Letter sets forth the name of the insurer under each such policy and bond, the type of policy or bond, the coverage amount and any applicable deductible and any other material provisions as of the Agreement Date as well as all material claims made under such policies and bonds since inception. The Company has provided to Acquirer true, correct and complete copies of all such policies of insurance and bonds issued at the request or for the benefit of the Company or any Company Subsidiary. Except as set forth on Schedule 2.14 of the Company Disclosure Letter, there is no claim pending under any of such policies or bonds as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bonds. All premiums due and payable under all such policies and bonds have been timely paid and the Company is otherwise in compliance with the terms of such policies and bonds. All such policies and bonds remain in full force and effect, and the Company has no knowledge of any threatened termination of, or material premium increase with respect to, any of such policies.

2.15 Books and Records. The Company has provided to Acquirer true, correct and complete copies of each document that has been requested by Acquirer in connection with their legal and accounting review of the Company (other than any such document that does not exist or is not in the Company’s possession or subject to its control). Without limiting the foregoing, the Company has provided to Acquirer true, correct and complete copies of (i) all documents identified on the Company Disclosure Letter, (ii) the Certificate of Formation, the Operating Agreement or equivalent organizational or governing documents of the Company and each Company Subsidiary, each as currently in effect, (iii) the complete minute books containing records of all proceedings, consents, actions and meetings of SM Ventures I LLC (in its capacity as a holder of Class A Units), the Voting Members and the Company Members, including any presentations and written materials provided thereto in connection with such proceedings, consents, actions and meetings, (iv) the membership interest ledger, journal and other records reflecting all unit issuances and transfers and all unit, option and warrant grants and agreements of the Company and the Company Subsidiaries and (v) all currently effective permits, orders and consents issued by any regulatory agency with respect to the Company or any Company Subsidiary, or any securities of the Company or any Company Subsidiary, and all applications for such permits, orders and consents. The minute books of the Company provided to Acquirer contain a true, correct and complete summary of all meetings of SM Ventures I LLC (in its capacity as a holder of Class A Units), the Voting Members and the Company Members, including any presentations and written materials provided thereto in connection with such proceedings, consents, actions and meetings. The books, records and accounts of the Company (A) are true, correct and complete in all material respects, (B) have been maintained in accordance with reasonable business practices on a consistent basis, (C) are stated in reasonable detail and accurately and fairly reflect all of the transactions and dispositions of the assets and properties of the Company and the Company Subsidiaries and (D) accurately and fairly reflect the basis for the Financial Statements.

2.16 Material Contracts.

(a) Schedules 2.16(a)(i) through (xxvi) of the Company Disclosure Letter set forth a list of each of the following Contracts to which the Company or any Company Subsidiary is a party that are in effect on the Agreement Date (collectively, the “Material Contracts”):

(i) any Contract with a (A) Significant Supplier or (B) consignment seller other than agreements on the Company’s standard unmodified form of Consignment Agreement (copies of which have been provided to Acquirer);
any Contract providing for payments by or to the Company (or under which the Company has made or received such payments) or any Company Subsidiary (or under which such Company Subsidiary has made or received such payments) in the period since the Company’s inception in an aggregate amount of $75,000 or more, other than those Contracts otherwise disclosed in Schedule 2.16(a) of the Company Disclosure Letter under another subsection of this Section 2.16(a);

(iii) any dealer, distributor, referral or similar agreement, or any Contract providing for the grant of rights to reproduce, license, market, refer or sell its products or services to any other Person or relating to the advertising or promotion of the Business or pursuant to which any third parties advertise on any websites operated by the Company;

(iv) (A) any joint venture Contract, (B) any Contract that involves a sharing of revenues, profits, cash flows, expenses or losses with other Persons and (C) any Contract that involves the payment of royalties to any other Person;

(v) any separation agreement or severance agreement with any current or former employees under which the Company or any Company Subsidiary has any actual or potential Liability;

(vi) any Contract for or relating to the employment or service of any officer, employee, consultant or beneficial owner of more than 5% of the total Company Units or any other type of Contract with any of its officers, employees, consultants or beneficial owners of more than 5% of the total Company Units, as the case may be;

(vii) any Contract (A) pursuant to which any other party is granted exclusive rights or “most favored party” rights of any type or scope with respect to any of the Company Products or Company Intellectual Property, (B) containing any non-competition covenants or other restrictions relating to the Company Products or Company Intellectual Property, (C) that limits or would limit the freedom of the Company or any of its successors or assigns or their respective Affiliates to (I) engage or participate, or compete with any other Person, in any line of business, market or geographic area with respect to the Company Products or the Company Intellectual Property, or to make use of any Company Intellectual Property, including any grants by the Company or any Company Subsidiary of exclusive rights or licenses or (II) sell, distribute or manufacture any products or services or to purchase or otherwise obtain any software, components, parts or services or (D) containing any “take or pay,” minimum commitments or similar provisions or (E) that is set forth on Schedule 2.12(k) of the Company Disclosure Letter;

(viii) any standstill or similar agreement containing provisions prohibiting a third party from purchasing Equity Interests of the Company or assets of the Company or otherwise seeking to influence or exercise control over the Company;

(ix) other than “shrink wrap” and similar generally available commercial end-user licenses to software that have an individual acquisition cost of $1,000 or less, all licenses, sublicenses and other Contracts to which the Company or any Company Subsidiary is a party and pursuant to which the Company or any Company Subsidiary acquired or is authorized to use any Third-Party Intellectual Property Rights used in the development, marketing or licensing of the Company Products;

(x) any license, sublicense or other Contract to which the Company or any Company Subsidiary is a party and pursuant to which any Person is authorized to use any Company-Owned Intellectual Property Rights;

(xi) any license, sublicense or other Contract pursuant to which the Company or any Company Subsidiary has agreed to any restriction on the right of the Company or any Company Subsidiary to use or enforce any Company-Owned Intellectual Property Rights or pursuant to which the Company or any Company Subsidiary agrees to encumber, transfer or sell rights in or with respect to any Company-Owned Intellectual Property Rights;

(xii) any Contracts relating to the membership of, or participation by, the Company or any Company Subsidiary in, or the affiliation of the Company or any Company Subsidiary with, any industry standards group or association;
(xiii) any Contract providing for the development of any software, technology or Intellectual Property Rights, independently or jointly, either by or for the Company or any Company Subsidiary (other than employee invention assignment agreements and consulting agreements with Authors on the Company’s standard form of agreement, copies of which have been provided to Acquirer);

(xiv) any confidentiality, secrecy or non-disclosure Contract other than any such Contract entered into by the Company or any Company Subsidiary in the ordinary course of business and consistent with past practice;

(xv) any Contract to license or authorize any third party to manufacture or reproduce any of the Company Products or Company Intellectual Property;

(xvi) any Contract containing any indemnification, warranty, support, maintenance or service obligation or cost on the part of the Company or any Company Subsidiary;

(xvii) any settlement agreement with respect to any Legal Proceeding;

(xviii) any Contract pursuant to which rights of any third party are triggered or become exercisable, or under which any other consequence, result or effect arises, in connection with or as a result of the execution of this Agreement or the consummation of the Merger or the other Transactions, either alone or in combination with any other event;

(xix) any Contract or plan (including any stock option, merger and/or stock bonus plan) relating to the sale, issuance, grant, exercise, award, purchase, repurchase or redemption of any Company Units or any other securities of the Company or any Company Subsidiary or any options, warrants, convertible notes or other rights to purchase or otherwise acquire any such shares of stock, other securities or options, warrants or other rights therefor, except for the repurchase rights disclosed on Schedule 2.2(a) of the Company Disclosure Letter;

(xx) any Contract with any labor union or any collective bargaining agreement or similar contract with its employees;

(xxii) any Contract for capital expenditures in excess of $75,000 in the aggregate;

(xxiii) any Contract for capital expenditures in excess of $75,000 in the aggregate;

(xxiv) any Contract pursuant to which the Company or any Company Subsidiary is a lessor or lessee of any real property or any machinery, equipment, motor vehicles, office furniture, fixtures or other personal property involving expenditures in excess of $75,000 per annum;

(xxv) any Contract pursuant to which the Company or any Company Subsidiary has acquired a business or entity, or assets of a business or entity, whether by way of merger, consolidation, purchase of stock, purchase of assets, license or otherwise, or any Contract pursuant to which it has any material ownership interest in any other Person; and

(xxvi) any Contract with any Governmental Entity, any Company Authorization, or any Contract with a government prime contractor, or higher-tier government subcontractor, including any indefinite delivery/indefinite quantity contract, firm-fixed-price contract, schedule contract, blanket purchase agreement, or task or delivery order (each a “Government Contract”).

(b) All Material Contracts are in written form. The Company or the Company Subsidiary, as applicable, has performed all of the material obligations required to be performed by it and is entitled to all benefits under, and is not alleged in any writing received by the Company to be in material default in respect of, each Material Contract. Each of the Material Contracts is in full force and effect, subject only to the effect, if any, of applicable bankruptcy and other similar Applicable Law affecting the rights of creditors generally and rules of law governing specific performance, injunctive relief and other equitable remedies. There exists no default or
event of default or event, occurrence, condition or act, with respect to the Company, the Company Subsidiaries or, to the knowledge of the Company, with respect to any other contracting party, that, with the giving of notice, the lapse of time or the happening of any other event or condition, would reasonably be expected to (i) become a material default or event of default under any Material Contract or (ii) give any third party (A) the right to declare a default or exercise any remedy under any Material Contract, (B) the right to a rebate, chargeback, refund, credit, penalty or change in delivery schedule under any Material Contract, (C) the right to accelerate the maturity or performance of any material obligation of the Company or the Company Subsidiaries under any Material Contract, or (D) the right to cancel, terminate or modify any Material Contract. Neither the Company nor any Company Subsidiary has received any notice or other communication regarding any actual or possible material violation or breach of, default under, or intention to cancel or modify any Material Contract. Neither the Company nor any Company Subsidiary has any Liability for renegotiation of Government Contracts. Except as disclosed in Schedule 2.16(a)(xiv) of the Company Disclosure Letter, true, correct and complete copies of all Material Contracts have been provided to Acquirer prior to the Agreement Date.

2.17 Transaction Fees. No broker, finder, financial advisor, investment banker or similar Person is entitled to any brokerage, finder’s or other fee or commission in connection with the origin, negotiation or execution of this Agreement or in connection with the Transactions. Set forth in Schedule 2.17 of the Company Disclosure Letter is the Company’s good faith estimate of all Transaction Expenses (including Transaction Expenses reasonably anticipated to be incurred in the future).

2.18 Anti-Corruption Law.

(a) Neither the Company, the Company Subsidiaries nor any of its or their officers, employees, agents or representatives (in each case, acting in their capacities as such) has, since the inception of the Company, directly or indirectly through its representatives or any Person authorized to act on its behalf (including any distributor, agent, sales intermediary or other third party), (i) violated any Anti-Corruption Law or (ii) offered, given, promised to give or authorized the giving of money or anything of value, to any Government Official or to any other Person: (A) for the purpose of (I) corruptly or improperly influencing any act or decision of any Government Official in their official capacity, (II) inducing any Government Official to do or omit to do any act in violation of their lawful duties, (III) securing any improper advantage or (IV) inducing any Government Official to use his or her respective influence with a Governmental Entity to affect any act or decision of such Governmental Entity in order to, in each case of clauses (I) through (IV), assist the Company in obtaining or retaining business for or with, or directing business to, any Person or (B) in a manner that would constitute or have the purpose or effect of public or commercial bribery, acceptance of, or acquiescence in, extortion, kickbacks or other unlawful or improper means of obtaining business or any improper advantage.

(b) (i) The Company and the Company Subsidiaries have maintained complete and accurate books and records, including records of payments to any agents, consultants, representatives, third parties and Government Officials, in accordance with GAAP, except as set forth on Schedule 2.4(a)(v) (A) of the Company Disclosure Letter, (ii) there have been no false or fictitious entries made in the books and records of the Company or any Company Subsidiary relating to any unlawful offer, payment, promise to pay or authorization of the payment of any money, or unlawful offer, gift, promise to give, or authorization of the giving of anything of value, including any bribe, kickback or other illegal or improper payment and (iii) neither the Company nor any Company Subsidiary has established or maintained a secret or unrecorded fund or account.

(c) None of the Company, any Company Subsidiary, or any of its or their officers or employees (acting in their capacities as such) have been convicted of violating any Anti-Corruption Law or subjected to any investigation or proceeding by a Governmental Entity for potential corruption, fraud or violation of any Anti-Corruption Law.

2.19 Environmental, Health and Safety Matters.

(a) The Company and the Company Subsidiaries are in compliance in all material respects with all Environmental, Health and Safety Requirements in connection with the ownership, use, maintenance or operation of its business or assets or properties. There are no pending, or to the knowledge of the Company, any threatened allegations by any Person that the properties or assets of the Company or any Company Subsidiary are not, or that its business has not been conducted, in compliance in all material respects with all Environmental, Health and Safety Requirements. Neither the Company nor any Company Subsidiary has retained or assumed any Liability of any other Person under any Environmental, Health and Safety Requirements. To the knowledge of the Company, there are no past or present facts, circumstances or conditions that would reasonably be expected to give rise to any Liability of the Company or the Company Subsidiaries with respect to Environmental, Health and Safety Requirements.
(b) The Company has made available to Acquirer a copy of all studies, audits, assessments or investigations containing material information concerning compliance with, or Liability or obligations under, Environmental, Health and Safety Requirements affecting the Company or any Company Subsidiary that are in the possession or control of the Company, each of which is identified in Schedule 2.19 of the Company Disclosure Letter.

2.20 Export Control Laws. Each of the Company and the Company Subsidiaries has conducted its export transactions in accordance with all respects with applicable provisions of United States export and re-export controls, including the Export Administration Act and Regulations, the Foreign Assets Control Regulations, the International Traffic in Arms Regulations and other controls administered by the United States Department of Commerce and/or the United States Department of State and all other applicable import/export controls in other countries in which any of the Company or the Company Subsidiaries conducts business. Without limiting the foregoing: (i) the Company and the Company Subsidiaries have obtained all export and import licenses, license exceptions and other consents, notices, waivers, approvals, orders, authorizations, registrations, declarations and filings with any Governmental Entity required for (A) the export, import and re-export of products, services, software and technologies and (B) releases of technologies and software to foreign nationals located in the United States and abroad (collectively, “Export Approvals”), (ii) the Company and the Company Subsidiaries are in compliance with the terms of all applicable Export Approvals, (iii) there are no pending or, to the knowledge of the Company, threatened claims against the Company or any Company Subsidiary with respect to such Export Approvals, (iv) there are no actions, conditions or circumstances pertaining to the Company’s or any Company Subsidiary’s export transactions that would reasonably be expected to give rise to any future claims and (v) no Export Approvals for the transfer of export licenses to Acquirer or the Surviving Company are required, except for such Export Approvals that can be obtained expeditiously and without material cost. Without limiting the foregoing, neither the Company nor any Company Subsidiary has, in the past five years, exported, reexported, shipped, distributed, sold, supplied, or otherwise transferred any products, equipment, goods, technology, or software to, or for end use by, any person (i) listed in any sanctions-related list of designated persons maintained by U.S. Department of Treasury’s Office of Foreign Assets Control, the U.S. Department of State, the United Nations Security Council, the European Union, any Member State of the European Union or the United Kingdom or (ii) operating, organized or resident in country or territory that is itself the subject or target of any sanctions (currently Cuba, Iran, North Korea, Syria and the Crimea region of Ukraine).

2.21 Distributors. Except as set forth on Schedule 2.21 of the Company Disclosure Letter, neither the Company nor any Company Subsidiary has any outstanding material disputes concerning any Company Products with any third-party distribution channel that, for the year ended December 31, 2017 and the nine-month period ended September 30, 2018, was one of the ten largest sources of revenues for the Company other than direct sales, based on amounts paid or payable with respect to such periods (each, a “Significant Distributor”), and, to the knowledge of the Company, there is no material dissatisfaction on the part of any Significant Distributor with respect to any Company Products. Each Significant Distributor is listed on Schedule 2.21 of the Company Disclosure Letter. The Company has not received any information from any Significant Distributor that such Significant Distributor shall not continue as a distributor of the Company (or the Surviving Company or Acquirer) after the Closing or that such Significant Distributor intends to terminate or materially modify existing Contracts with the Company (or the Surviving Company or Acquirer). The Company has not had any Company Products returned by a purchaser thereof except for normal warranty returns consistent with past history.

2.22 Suppliers. Except as set forth on Schedule 2.22 of the Company Disclosure Letter, neither the Company nor any Company Subsidiary has any outstanding material disputes concerning products and/or services (including product packaging) provided by any supplier who, for the year ended December 31, 2017 or the nine-month period ended September 30, 2018, was one of the 30 largest suppliers of products and/or services to the Company, based on amounts paid or payable with respect to such periods (each, a “Significant Supplier”), there is no material dissatisfaction on the part of the Company with respect to any Significant Supplier and, to the knowledge of the Company, there is no material dissatisfaction on the part of any Significant Supplier with respect to the Company. Each Significant Supplier is listed on Schedule 2.22 of the Company Disclosure Letter. Neither the Company nor any Company Subsidiary has received any information from any Significant Supplier that such supplier shall not continue as a supplier to the Company or any Company Subsidiary (or the Surviving Company or Acquirer) after the Closing or that such Significant Supplier intends to terminate or materially modify existing Contracts with the Company or any Company Subsidiary (or the Surviving Company or Acquirer). The Company and the Company Subsidiaries have access, on commercially reasonable terms, to all products and services reasonably necessary to carry on the Business and, to the knowledge of the Company, there is no reason why the Company and the Company Subsidiaries will not continue to have such access on commercially reasonable terms. The Company implements commercially reasonable measures to verify the authenticity of goods purchased from consignment sellers, and to the Company’s knowledge, neither the Company nor any Company Subsidiary is or will be subject to any material Liability related to goods purchased from a consignment seller, or a consignment seller’s breach of its agreement with the Company, any Company Subsidiary or an original manufacturer or retailer. Each supplier that drop ships products or goods or otherwise ships directly to customers or end users in connection with the Company’s Business is an authorized reseller of such products or goods.

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2.23 **Member Notice.** Neither the Member Notice nor any amendment or supplement thereto (other than any of the information supplied or to be supplied by Acquirer for inclusion therein) will contain, as of the date or the mailing of such document, any untrue statement of a material fact, or will omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

2.24 **No Other Representations and Warranties; Non-reliance.**

(a) Except for the representations and warranties contained in this Article II (including the related portions of the Company Disclosure Letter and certificates delivered hereunder), none of the Company, the Converting Holders or any other Person has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Company, including any representation or warranty as to the accuracy or completeness of any information regarding the Company furnished or made available to Acquirer and its Representatives (including any information, documents or material delivered to Acquirer or made available to Acquirer in the data room, management presentations or in any other form in expectation of the transactions contemplated hereby) or as to the future revenue, profitability or success of the Company or any representation or warranty arising from statute or otherwise in law. Nothing in this Section 2.24(a) shall limit any Acquirer Indemnified Person’s rights or remedies in the case of the fraud, intentional misrepresentation or willful misconduct by or on behalf of the Company in making any of the representations and warranties contained in this Article II (including the related portions of the Company Disclosure Letter and certificates delivered hereunder) or otherwise in connection with the Transactions.

(b) The Company acknowledges and agrees that other than as expressly set forth in Article III, the Company has not relied and is not relying on any representation or warranty regarding the subject matter of this Agreement. The Company acknowledges that neither Acquirer, Merger Sub nor any of their respective Affiliates and Representatives shall have or be subject to any liability to the Company, the Company Members or any other Person resulting from the distribution to the Company or the Company’s use of, any information, including any information, documents or material made available to the Company or its Representatives in any electronic data rooms or in any other form in expectation of the Merger, except as expressly set forth in Article III. Nothing in this Section 2.24(b) shall limit any Company Indemnified Person’s rights or remedies in the case of fraud, intentional misrepresentations or willful misconduct by or on behalf of Acquirer or Merger Sub in making any of the representations and warranties contained in Article III (including the related certificates delivered hereunder) or otherwise in connection with the Transactions.

**ARTICLE III**

**Representations and Warranties of Acquirer and Merger Sub**

Acquirer and Merger Sub represent and warrant to the Company as follows:

3.1 **Organization and Standing.** Each of Acquirer and Merger Sub is a corporation and limited liability company, respectively duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Neither Acquirer nor Merger Sub is in violation of any of the provisions of its articles or certificate of incorporation, as applicable, bylaws or equivalent organizational or governing documents.

3.2 **Authority; Non-contravention.**

(a) Each of Acquirer and Merger Sub has all requisite power and authority to enter into this Agreement and the other Transaction Documents to which it is a party and to consummate the Transactions. The execution and delivery of this Agreement and the other Transaction Documents to which it is a party and the consummation of the Transactions have been duly authorized by all necessary action on the part of Acquirer and Merger Sub. Each Transaction Document required to be executed and delivered by Acquirer and Merger Sub, respectively, has been duly executed and delivered by Acquirer and Merger Sub, respectively, and, assuming the due execution and delivery of such Transaction Document by the other parties thereto, constitutes the valid and binding obligation of Acquirer and Merger Sub, as applicable, enforceable against Acquirer and Merger Sub, as applicable, in accordance with its terms subject only to the effect, if any, of (i) applicable bankruptcy and other similar Applicable Law affecting the rights of creditors generally and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.
The execution and delivery of this Agreement and the other Transaction Documents to which it is a party by Acquirer and Merger Sub do not, and the consummation of the Transactions will not, conflict with, or result in any violation of, or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation or acceleration of any obligation or loss of a benefit under, or require any consent, approval or waiver from any Person pursuant to, (i) any provision of the certificate of incorporation or certificate of formation, as applicable, or bylaws, limited liability company agreement or other equivalent organizational or governing documents of Acquirer and Merger Sub, in each case as amended to date or (ii) Applicable Law.

(c) Except as required by applicable federal and state securities laws and the rules of the NYSE in connection with the issuance of the Parent Ordinary Shares issuable in the Merger, no consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity or any other Person is required by or with respect to Acquirer or Merger Sub in connection with the execution and delivery of this Agreement or the consummation of the Transactions that, if not obtained or made, would reasonably be expected to adversely affect the ability of Acquirer or Merger Sub to consummate the Merger or any of the other Transactions.

3.3 Issuance of Shares. The Parent Ordinary Shares issuable in the Merger, when issued by Acquirer in accordance with this Agreement, assuming the accuracy of the representations and warranties made by the Company and the Company Members herein or in the Investor Representation Letter, will be duly issued, fully paid and non-assessable.

3.4 Member Notice. None of the information supplied or to be supplied by Acquirer for inclusion in the Member Notice or any amendment or supplement thereto will contain, as of the date or the mailing of such document, any untrue statement of a material fact, or will omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

3.5 No Prior Merger Sub Operations. Merger Sub was formed solely for the purpose of effecting the Merger, has no Liabilities and has not engaged in any business activities or conducted any operations, in each case, other than in connection with the formation of Merger Sub or the Transactions.

3.6 SEC Filings; NYSE Compliance.

(a) SEC Filings. Parent has timely filed with or furnished to, as applicable, the SEC all registration statements, prospectuses, reports, schedules, forms, statements, and other documents (including exhibits and all other information incorporated by reference) required to be filed or furnished by it with the SEC since September 20, 2018 (collectively, the “Parent SEC Documents”). As of their respective filing dates or, if amended or superseded by a subsequent filing prior to the date hereof, as of the date of the last such amendment or superseding filing (and, in the case of registration statements and proxy statements, on the dates of effectiveness and the dates of the relevant meetings, respectively), each of the Parent SEC Documents complied as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act, and the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations of the SEC thereunder applicable to such Parent SEC Documents. None of the Parent SEC Documents, including any financial statements, schedules, or exhibits included or incorporated by reference therein at the time they were filed (or, if amended or superseded by a subsequent filing prior to the date hereof, as of the date of the last such amendment or superseding filing), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. To the knowledge of Acquirer, none of the Parent SEC Documents is the subject of ongoing SEC review or outstanding SEC investigation and there are no outstanding or unresolved comments received from the SEC with respect to any of the Parent SEC Documents. None of Parent’s Subsidiaries is required to file or furnish any forms, reports, or other documents with the SEC.

(b) NYSE Compliance. Parent is in compliance with all of the applicable listing and corporate governance rules of the NYSE, except for any non-compliance that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect with respect to Parent.

3.7 Sufficiency of Funds. Acquirer has sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Closing Cash Consideration and consummate the transactions contemplated by this Agreement.

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3.8 Compliance with Laws. Acquirer has complied in all material respects with, is not in violation in any material respect of, and has not received any written notices of violation with respect to, Applicable Law.

3.9 No Other Representations and Warranties; Non-reliance.

(a) Except for the representations and warranties contained in this Article III (including the related portions of the certificates delivered hereunder), none of Acquirer, Merger Sub or any other Person has made or makes any other express or implied representation or warranty, either written or oral, on behalf of Acquirer or Merger Sub, including any representation or warranty as to the accuracy or completeness of any information regarding Acquirer or Merger Sub furnished or made available to the Company and its Representatives (including any information, documents or material made available to the Company or its Representatives in any electronic data rooms or in any other form in expectation of the Merger) as to the future revenue, profitability or success of Acquirer, Merger Sub or Parent or any representation or warranty arising from statute or otherwise in law. Nothing in this Section 3.9(a) shall limit any Company Indemnified Person’s rights or remedies in the case of the fraud, intentional misrepresentation or willful misconduct by or on behalf of Acquirer or Merger Sub in making any of the representations and warranties contained in this Article III (including the related portions of the certificates delivered hereunder) or otherwise in connection with the Transactions.

(b) Acquirer acknowledges and agrees that other than as expressly set forth in Article II or as contained in any Investor Representation Letter, Acquirer has not and is not relying on any representation or warranty regarding the subject matter of this Agreement. Acquirer acknowledges that neither the Company, the Converting Holders, nor any of their Affiliates and Representatives shall have or be subject to any liability to Acquirer or Merger Sub or any other Person resulting from the distribution to Acquirer or Acquirer’s use of, any information, including any information, documents or material made available to Acquirer or Merger Sub or their respective Affiliates and Representatives (including any information, documents or material delivered to Acquirer or Merger Sub or their respective Affiliates and Representatives or made available to Acquirer or Merger Sub or their respective Affiliates and Representatives in the data room, management presentations or in any other form in expectation of the transactions contemplated hereby), except as expressly set forth in Article II. Nothing in this Section 3.9(b) shall limit any Acquirer Indemnified Person’s rights or remedies in the case of fraud, intentional misrepresentations or willful misconduct by or on behalf of Company or any Converting Holder in making any of the representations and warranties contained in Article II (including the related portions certificates delivered hereunder) or in any Investor Representation Letter or otherwise in connection with the Transactions.

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ARTICLE IV
Conduct Prior to the Effective Time

4.1 Conduct of the Business; Notices. During the period from the Agreement Date and continuing until the earlier of the termination of this Agreement and the Effective Time, the Company shall:

(a) conduct the Business solely in the ordinary course and consistent with past practice (except to the extent expressly provided otherwise herein or as consented to in writing by Acquirer) and in compliance with Applicable Law;

(b) (i) pay and perform all of its undisputed debts and other obligations (including Taxes) when due, (ii) use commercially reasonable efforts, and otherwise consistent with past practice and policies, to collect accounts receivable when due and not extend credit outside of the ordinary course of business and consistent with past practice, (iii) sell the Company’s products and services in the ordinary course, and otherwise consistent with past practice, as to discounting, license, service and maintenance terms, incentive programs and revenue recognition and other terms and (iv) use its commercially reasonable efforts, and otherwise consistent with past practice and policies, to preserve intact its present business organizations, keep available the services of its present officers and key employees and preserve its relationships with customers, suppliers, distributors, licensors, licensees, and others having business dealings with it, to the end that its goodwill and ongoing businesses shall be unimpaired at the Closing;

(c) use commercially reasonable efforts to assure that each of its Contracts (other than with Acquirer) entered into after the Agreement Date will not require the procurement of any consent, waiver or novation or provide for any change in the obligations of any party thereto in connection with, or terminate as a result of the consummation of, the Transactions, and shall give reasonable advance notice to Acquirer prior to allowing any Material Contract or right thereunder to lapse or terminate by its terms;

(d) maintain each of its leased premises in accordance with the terms of the applicable lease;

(e) promptly notify Acquirer of any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the Transactions;

(f) promptly notify Acquirer of any notice or other communication from any Governmental Entity (i) relating to the Transactions, (ii) indicating that a Company Authorization has been or is about to be revoked or (iii) indicating that a Company Authorization is required in any jurisdiction in which such Company Authorization has not been obtained, which revocation or failure to obtain has had or would reasonably be expected to be material to Acquirer (following the Effective Time) or the Company;

(g) promptly notify Acquirer of any inaccuracy in or breach of any representation, warranty or covenant of the Company herein; provided that the phrase “as of the Agreement Date” in any such representation or warranty shall be disregarded for such purpose; and

(h) to the extent not otherwise required by this Section 4.1, promptly notify Acquirer of any change, occurrence or event not in the ordinary course of business, or of any change, occurrence or event that, individually or in the aggregate with any other changes, occurrences and events, would reasonably be expected to be materially adverse to the Company or cause any of the conditions to the Closing set forth in Article VI not to be satisfied.

4.2 Restrictions on Conduct of the Business. Without limiting the generality or effect of Section 4.1, except as expressly set forth on Schedule 4.2 of the Company Disclosure Letter, during the period from the Agreement Date and continuing until the earlier of the termination of this Agreement and the Effective Time, the Company shall not do, cause or permit any of the following (except to the extent expressly provided otherwise herein or as consented to in writing by Acquirer):

(a) Charter Documents. Cause, propose or permit any amendments to the Certificate of Formation or the Operating Agreement or equivalent organizational or governing documents;

(b) Merger, Reorganization. Merge or consolidate itself with any other Person or adopt a plan of complete or partial liquidation, dissolution, consolidation, restructuring, recapitalization or other reorganization;
(c) **Distributions; Changes in Membership Interests**. Declare or make any distributions (whether in cash, stock or other property) in respect of any of its Equity Interests, or split, combine or reclassify any of its Equity Interests or issue or authorize the issuance of any Equity Interests or other securities in respect of, in lieu of or in substitution for its Equity Interests, or repurchase or otherwise acquire, directly or indirectly, any of its Equity Interests except from former employees and consultants in accordance with agreements providing for the repurchase of shares in connection with any termination of service;

(d) **Material Contracts**. (i) Enter into amend or modify any (A) Contract that would (if entered into, amended or modified prior to the Agreement Date) constitute a Material Contract, (B) other material Contract or (C) Contract requiring a novation or consent in connection with the Merger or the other Transactions, (ii) violate, terminate, amend or modify (including by entering into a new Contract with such party or otherwise) or waive any of the terms of any of its Material Contracts or of the Joinder Agreement or (iii) enter into, amend, modify or terminate any Contract or waive, release or assign any rights or claims thereunder, which if so entered into, modified, amended, waived, released or assigned would be reasonably likely to (A) adversely affect the Company (or, following consummation of the Merger, Acquirer or any of its Affiliates) in any material respect, (B) impair the ability of the Company or the Members’ Agent to perform their respective obligations under this Agreement or the Joinder Agreement or (C) prevent or materially delay or impair the consummation of the Merger and the other Transactions; provided that this Section 4.2(d) shall not require the Company to seek or obtain Acquirer’s consent in order to set or change the prices at which the Company sells products or provides services to current end users in the ordinary course of business and consistent with past practice;

(e) **Issuance of Equity Interests**. Issue, deliver, grant or sell or authorize or propose the issuance, delivery, grant or sale of, or purchase or propose the purchase of, any Company Voting Debt or any Equity Interests, or enter into or authorize or propose to enter into any Contracts of any character obligating it to issue any Equity Interests, other than the repurchase of any Company Units from former employees and consultants in accordance with Contracts providing for the repurchase of shares in connection with any termination of service;

(f) **Employees; Consultants; Independent Contractors**. (i) Other than in the ordinary course of business and consistent with past practice: (A) hire, or offer to hire, any additional officers or other employees, or any consultants or independent contractors; (B) terminate the employment, change the title, office or position, or materially reduce the responsibilities of any employee of the Company; (C) enter into, amend or extend the term of any employment or consulting agreement with any officer, employee, consultant or independent contractor; or (D) enter into any Contract with a labor union or collective bargaining agreement (unless required by Applicable Law); or (ii) without Acquirer’s prior consent (not to be unreasonably withheld, conditioned or delayed), terminate the employment, change the title, office or position, or materially reduce the responsibilities of any hourly employee of the Company;

(g) **Loans and Investments**. Make any loans or advances (other than routine expense advances to employees of the Company consistent with past practice) to, or any investments in or capital contributions to, any Person, or forgive or discharge in whole or in part any outstanding loans or advances, or prepay any indebtedness for borrowed money;

(h) **Intellectual Property**. Transfer or license from any Person any rights to any Intellectual Property, or transfer or license to any Person any rights to any Company Intellectual Property, or transfer or provide a copy of any Company Source Code to any Person (including any current or former employee or consultant of the Company or any contractor or commercial partner of the Company) (other than (i) providing access to Company Source Code to current employees and consultants of the Company involved in the development of the Company Products on a need-to-know basis in the ordinary course of business and consistent with past practice and (ii) Third-Party Intellectual Property that is generally, commercially available software and (A) is not material to the Company, (B) has not been modified or customized for the Company and (C) is licensed for an annual fee under $1,000);

(i) **Patents**. Take any action regarding a patent, patent application or other Intellectual Property right, other than filing continuations for existing patent applications or completing or renewing registrations of existing patents, domain names, trademarks or service marks in the ordinary course of business and consistent with past practice;
(j) **Dispositions.** Sell, lease, license or otherwise dispose of or permit to lapse any of its tangible or intangible assets, other than 
sales and nonexclusive licenses of the Company Products in the ordinary course of business and consistent with past practice, or enter into any Contract with respect to 
the foregoing;

(k) **Indebtedness.** Incur any indebtedness for borrowed money or guarantee any such indebtedness;

(l) **Payment of Obligations.** Other than in the Company’s ordinary course of business and consistent with past practice with 
respect to consignment sellers, pay, discharge or satisfy (i) any Liability to any Person who is an officer or member of the Company (other than compensation due 
for services as an officer) or (ii) any claim or Liability arising other than in the ordinary course of business and consistent with past practice, other than the payment, 
discharge or satisfaction of Liabilities reflected or reserved against in the Financial Statements and Transaction Expenses, or defer payment of any accounts payable 
other than in the ordinary course of business and consistent with past practice, or give any discount, accommodation or other concession other than in the ordinary 
course of business and consistent with past practice, in order to accelerate or induce the collection of any receivable;

(m) **Capital Expenditures.** Make any capital expenditures, capital additions or capital improvements in excess of $75,000 
individually or $300,000 in the aggregate;

(n) **Insurance.** Materially change the amount of, or terminate, any insurance coverage;

(o) **Termination or Waiver.** Cancel, release or waive any material claims or rights held by the Company;

(p) **Employee Benefit Plans; Pay Increases.** (i) Adopt or amend any employee or compensation benefit plan, including any stock 
issuance or stock option plan, or amend any compensation, benefit, entitlement, grant or award provided or made under any such plan, except in each case as 
required under ERISA, Applicable Law or as necessary to maintain the qualified status of such plan under the Code, (ii) materially amend any deferred 
compensation plan within the meaning of Section 409A of the Code and the regulations thereunder, except to the extent necessary to meet the requirements of such 
Section or Notice, (iii) pay any special bonus or special remuneration to any employee or consultant (other than as set forth on Schedule 4.2(p) of the Company 
Disclosure Letter) or (iv) increase the salaries, wage rates or fees of its employees or consultants (other than as disclosed to Acquirer and are set forth on Schedule 
4.2(p) of the Company Disclosure Letter);

(q) **Severance Arrangements.** Grant or pay, or enter into any Contract providing for the granting of any severance, retention or 
termination pay, or the acceleration of vesting or other benefits, to any Person (other than payments or acceleration as set forth on Schedule 4.2(q) of the Company 
Disclosure Letter);

(r) **Lawsuits; Settlements.** (i) Commence a lawsuit other than (A) for the routine collection of bills, (B) in such cases where the 
Company in good faith determines that failure to commence suit would result in the material impairment of a valuable aspect of its business ( provided that the 
Company consults with Acquirer prior to the filing of such a suit) or (C) for a breach of this Agreement or (ii) settle or agree to settle any pending or threatened 
lawsuit or other dispute;

(s) **Acquisitions.** Acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the 
assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or 
agree to acquire any assets that are material, individually or in the aggregate, to the Company or the Business, or enter into any Contract with respect to a joint 
venture, strategic alliance or partnership;

(t) **Taxes.** Make or change any election in respect of Taxes, adopt or change any accounting method in respect of Taxes, file any 
federal, state or foreign income Tax Return or any other material Tax Return other than in the ordinary course of business and in a manner consistent with past 
practice, amend any Tax Return, enter into any Tax sharing or similar agreement or closing agreement, assume any Liability for the Taxes of any other Person 
(whether by Contract or otherwise), settle any claim or assessment in respect of Taxes, consent to any extension or waiver of the limitation period applicable to any 
claim or assessment in respect of Taxes;
(u) **Accounting.** Change accounting methods or practices (including any change in depreciation or amortization policies) or revalue any of its assets (including writing down the value of inventory or writing off notes or accounts receivable otherwise than in the ordinary course of business), except in each case as required by changes in GAAP as concurred with its independent accountants and after notice to Acquirer;

(v) **Real Property.** Enter into any agreement for the purchase, sale or lease of any real property;

(w) **Encumbrances.** Place or allow the creation of any Encumbrance (other than a Permitted Encumbrance) on any of its properties;

(x) **Warranties, Discounts.** Materially change the manner in which it provides warranties, discounts or credits to customers;

(y) **Interested Party Transactions.** Enter into any Contract that, if entered prior to the Agreement Date, would be required to be listed on Schedule 2.13 of the Company Disclosure Letter;

(z) **Subsidiaries.** Take any action that would result in the Company having one or more Subsidiaries; and

(aa) **Other.** Take or agree in writing or otherwise to take, any of the actions described in clauses (a) through (z) in this Section 4.2, or any action that would reasonably be expected to make any of the Company’s representations or warranties contained herein untrue or incorrect (such that the condition set forth in the first sentence of Section 6.3(a) would not be satisfied) or prevent the Company from performing or cause the Company not to perform one or more covenants, agreements or obligations required hereunder to be performed by the Company (such that the condition set forth in the second sentence of Section 6.3(a) would not be satisfied).

**ARTICLE V**

**Additional Agreements**

5.1 **Member Notice.**

(a) Promptly (and in any case within two days) after the Agreement Date, the Company shall prepare, with the cooperation of Acquirer, and mail to each Company Member other than the Voting Members, a notice (as it may be amended or supplemented from time to time, the “Member Notice”) comprising an information statement to the Company Members (other than the Voting Members) in connection with the solicitation of their signatures to the Joinder Agreement and an Investor Representation Letter. The Member Notice shall include (i) a statement to the effect that the Voting Member Approval has been obtained and (ii) such information as Acquirer and the Company may agree is required or advisable under the DLLCA or the Operating Agreement to be included therein. Prior to its mailing, the Member Notice shall have been approved by Acquirer, and, following its mailing, no amendment or supplement to the Member Notice shall be made by the Company without the approval of Acquirer. Each of Acquirer and the Company agrees to provide promptly to the other such information concerning its business, financial statements and affairs as, in the reasonable judgment of Acquirer or its counsel, may be required or advisable to be included under the DLLCA or the Operating Agreement in the Member Notice or in any amendment or supplement thereto, and Acquirer and the Company agree to cause their respective Representatives to cooperate in the preparation of the Member Notice and any amendment or supplement thereto.

(b) As promptly as practicable after the Agreement Date, Acquirer and the Company shall prepare and make such filings as are required under applicable state securities or “blue sky” laws in connection with the Transactions, and the Company shall assist Acquirer as may be necessary to comply with such state securities or “blue sky” laws.

5.2 **No Solicitation.**

(a) During the period from the Agreement Date and continuing until the earlier of the termination of this Agreement and the Effective Time, the Company will not, and the Company will not authorize or permit any of its Representatives to, directly or indirectly, (i) solicit, initiate, seek, entertain, knowingly encourage, facilitate, support or induce the making, submission or announcement of any inquiry, expression of interest, proposal or offer that constitutes, or could reasonably be expected to lead to, an Acquisition Proposal, (ii) enter into, participate in, maintain or continue any communications (except solely to provide written notice as to the existence of these provisions) or negotiations regarding, or deliver or make available to any Person any non-
public information with respect to, or take any other action regarding, any inquiry, expression of interest, proposal or offer that constitutes, or could reasonably be expected to lead to, an Acquisition Proposal, (iii) agree to, accept, approve, endorse or recommend (or publicly propose or announce any intention or desire to agree to, accept, approve, endorse or recommend) any Acquisition Proposal, (iv) enter into any letter of intent or any other Contract contemplating or otherwise relating to any Acquisition Proposal, (v) submit any Acquisition Proposal to the vote of any Company Members or (vi) enter into any other transaction or series of transactions not in the ordinary course of business and consistent with past practice, the consummation of which would impede, interfere with, prevent or delay, or would reasonably be expected to impede, interfere with, prevent or delay, the consummation of the Merger or the other Transactions. The Company will, and will cause its Representatives to, (A) immediately cease and cause to be terminated any and all existing activities, discussions or negotiations with any Persons conducted prior to or on the Agreement Date with respect to any Acquisition Proposal and (B) immediately revoke or withdraw access of any Person (other than Acquirer and its Representatives) to any data room (virtual or actual) containing any non-public information with respect to the Company in connection with an Acquisition Proposal and request from each Person (other than Acquirer and its Representatives) the prompt return or destruction of all non-public information with respect to the Company previously provided to such Person in connection with an Acquisition Proposal. If any of the Company’s Representatives, whether in his, her or its capacity as such or in any other capacity, takes any action that the Company is obligated pursuant to this Section 5.2 not to authorize or permit such Representative to take, then the Company shall be deemed for all purposes of this Agreement to have breached this Section 5.2.

5.3 Confidentiality; Public Disclosure.

(a) The parties hereto acknowledge that Farfetch.com US, LLC, an Affiliate of Acquirer, and the Company have previously executed a mutual non-disclosure agreement, dated as of October 8, 2018 (the “Confidentiality Agreement”), which shall continue in full force and effect in accordance with its terms. Each party hereto agrees that it and its Representatives shall hold the terms of this Agreement, and the fact of this Agreement’s existence, in strict confidence to the same extent as required if such Person was a party to the Confidentiality Agreement. Except as otherwise provided in Section 5.13, at no time shall any party hereto disclose any of the terms of this Agreement (including the economic terms) or any non-public information about a party hereto to any other Person without the prior written consent of the party hereto about which such non-public information relates. Notwithstanding anything to the contrary herein, a party hereto shall be permitted to disclose any and all terms to its financial, tax and legal advisors (each of whom is subject to a similar obligation of confidentiality), to any Governmental Entity or administrative agency to the extent necessary or advisable in compliance with Applicable Law and the rules of the NYSE, and as reasonably necessary for the Company to obtain the Voting Member Approval and approvals from other third parties as contemplated by this Agreement. The Members’ Agent hereby agrees to be bound by the terms and conditions of the Confidentiality Agreement to the same extent as though the Members’ Agent were a party thereto. With respect to the Members’ Agent, as used in the Confidentiality Agreement, the term “Confidential Information” shall also include information relating to the Merger or this Agreement received by the Members’ Agent after the Closing or relating to the period after the Closing.
The parties hereto agree that the initial press release of Acquirer and its Affiliates with respect to the Merger and the other Transactions will be issued in a form mutually agreed upon by Acquirer and the Company. Thereafter, except as may be required by Applicable Law, the Company shall consult with Acquirer before the Company issues any press release or public statement with respect to the Transaction Documents or the Transactions and, subject to the requirements of Applicable Law, shall not issue any such press release or public statement or other public communications relating to the terms of this Agreement or the Transactions or use Acquirer’s name or refer to Acquirer directly or indirectly in connection with Acquirer’s relationship with the Company in any media interview, advertisement, news release or professional or trade publication, or in any print media, whether or not in response to an inquiry, in each case, without the prior written approval of Acquirer. Notwithstanding anything to the contrary contained herein or in the Confidentiality Agreement, Acquirer may make such public communications regarding this Agreement or the Transactions as Acquirer may determine is reasonably appropriate.

5.4 Reasonable Best Efforts. Each of the parties hereto agrees to use its reasonable best efforts, and to cooperate with each other party hereto, to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, appropriate or desirable to consummate and make effective, in the most expeditious manner practicable, the Merger and the other Transactions, including the satisfaction of the respective conditions set forth in Article VI, and including to execute and deliver such other instruments and do and perform such other acts and things as may be necessary or reasonably desirable for effecting completely the consummation of the Merger and the other Transactions. Notwithstanding the foregoing, the Company agrees to exercise its commercially reasonable efforts to cause the holders of 100% of the outstanding Company Units to execute the Joinder Agreement, including the request for payment instructions and Substitute Form W-9 and Form 8-8BEN, as applicable, in each case as attached thereto, prior to the Closing.

5.5 Third-Party Consents; Notices.

(a) Following consultation with Acquirer, the Company shall use commercially reasonable efforts to obtain prior to the Closing, and deliver to Acquirer at or prior to the Closing, (i) all consents, waivers and approvals under each Contract listed or described on Schedule 2.3(b)(ii)(B) of the Company Disclosure Letter (and any Contract entered into after the Agreement Date that would have been required to be listed or described on Schedule 2.3(b)(ii)(B) of the Company Disclosure Letter if entered into prior to the Agreement Date) and (ii) executed confirmatory assignments of Intellectual Property from the Persons set forth on Schedule 5.5(a)(ii) of the Company Disclosure Letter.

(b) The Company shall give all notices and other information, if any, required to be given to the employees of the Company, any collective bargaining unit representing any group of employees of the Company, and any applicable government authority under the WARN Act, the National Labor Relations Act, as amended, the Code, COBRA and other Applicable Law in connection with the Transactions.

(c) Acquirer shall use commercially reasonable efforts to cooperate, as reasonably requested, with the Company’s efforts to (i) replace the security deposits listed on Schedule III with letters of credit issued by Acquirer’s bank and (ii) in connection with such release, cause the Personal Guarantees to be released prior to or as of the Closing. To the extent the Personal Guarantees are not released prior to or as of the Closing, Acquirer shall use commercially reasonable efforts to cause the Personal Guarantees to be released as soon as reasonably practicable following the Closing.

5.6 Litigation. The Company shall (i) notify Acquirer in writing promptly after learning of any Legal Proceeding initiated by or against it, or known by the Company to be threatened against the Company, or any of its officers or employees or the Company Members in their capacity as such (a “New Litigation Claim”), (ii) notify Acquirer of ongoing material developments in any New Litigation Claim and (iii) consult in good faith with Acquirer regarding the conduct of the defense of any New Litigation Claim.

5.7 Access to Information.

(a) During the period from the Agreement Date and continuing until the earlier of the termination of this Agreement and the Effective Time, (i) the Company shall afford Acquirer and its Representatives reasonable access during business hours (following reasonable advance notice and in a reasonable manner to minimize material disruption to the Company’s normal operations) to (A) the Company’s properties, personnel, books, Contracts and records and (B) all other information concerning the business, properties and personnel of the Company as Acquirer may reasonably request and (ii) the Company shall provide to Acquirer and its Representatives true, correct and complete copies of the Company’s (A) internal financial statements, (B) Tax Returns, Tax elections and all other records and workpapers relating to Taxes, (C) a schedule of any deferred
intercompany gain or loss with respect to transactions to which the Company has been a party and (D) receipts for any Taxes paid to foreign Tax Authorities. Notwithstanding anything to the contrary in the foregoing: (i) the Company may restrict such access to the extent that any Applicable Law requires the Company to restrict or prohibit such access; and (ii) in no event shall the Company be obligated to provide any information the disclosure of which would jeopardize any legal privilege available to the Company relating to such information (provided that the Company shall use commercially reasonable efforts to provide such information in a manner that would not adversely affect any such legal privilege, including by entering into customary joint defense agreements or similar agreements with Acquirer with respect thereto).

(b) Subject to compliance with Applicable Law, from the Agreement Date until the earlier of the termination of this Agreement and the Closing, the Company shall confer from time to time as requested by Acquirer with one or more Representatives of Acquirer to discuss any material changes or developments in the operational matters of the Company and the general status of the ongoing operations of the Company.

(c) No information or knowledge obtained by Acquirer during the pendency of the Transactions in any investigation pursuant to this Section 5.7 shall affect or be deemed to modify any representation, warranty, covenant, agreement, obligation or condition set forth herein.

(d) Within five days following the Agreement Date, the Company shall deliver to Acquirer one or more DVDs or other digital media evidencing the documents that were made available, which shall indicate, for each document, the date that such document was first uploaded to the data room.

5.8 Spreadsheet. The Company shall prepare and deliver to Acquirer, in accordance with Section 5.12, a spreadsheet (the “Spreadsheet”) in form and substance reasonably satisfactory to Acquirer, which spreadsheet shall be dated as of the Closing Date and shall set forth all of the following information (in addition to the other required data and information specified therein), as of immediately prior to the Closing: (i) the names of all of the Converting Holders and their respective addresses, e-mail addresses and, where available, taxpayer identification numbers, (ii) the number and class of Company Units held by each Converting Holder, (iii) the vesting status and schedule with respect to Unvested Company Units and terms of the Company’s rights to repurchase such Unvested Company Units (including the per unit repurchase price payable with respect thereto), (iv) the calculation of Outstanding Company Units, Closing Per Unit Aggregate Value, Closing Per Unit Cash Consideration, Closing Cash Consideration, Closing Cash Consideration Percentage, Aggregate Threshold Value, Closing Per Unit Share Consideration, Closing Share Consideration, Closing Share Consideration Percentage, Parent Share Price, Pro Rata Share and Accredited Pro Rata Share, (v) for each Class B Unit holder, the calculation of Class B Per Unit Aggregate Consideration, Class B Per Unit Cash Consideration and Class B Per Unit Share Consideration, (vi) the calculation of aggregate cash amounts and number of Parent Ordinary Shares payable and issuable, respectively, to each such Converting Holder pursuant to Section 1.3(a)(i) and Section 1.3(a)(ii) and the total estimated amount of Taxes to be withheld therefrom, (vii) for each Non-Accredited Converting Holder, the calculation of Ineligible Parent Ordinary Shares and the portion of the Non-Accredited Additional Cash Payment payable to such Non-Accredited Converting Holder, (viii) for each Accredited Converting Holder, the calculation of such Accredited Converting Holder’s Accredited Pro Rata Share of the Non-Accredited Additional Cash Payment and the Additional Parent Ordinary Shares, (ix) the vesting schedule with respect to the Parent Ordinary Shares issuable to each Key Employee pursuant to Section 1.3(a), as set forth in the Share Restriction Agreement executed by such Key Employee, (x) the calculation of each Converting Holder’s Pro Rata Share of the Cash Escrow Amount and (xi) a funds flow memorandum setting forth applicable wire transfer instructions and other information reasonably requested by Acquirer.

5.9 Expenses; Company Debt. Whether or not the Merger is consummated, except as otherwise set forth herein, all costs and expenses incurred in connection with this Agreement and the Transactions (including Transaction Expenses) shall be paid by the party incurring such expense; provided that (i) at the Closing, Acquirer shall pay or cause to be paid all Transaction Expenses that are incurred but unpaid as of the Closing and (ii) the fees and expenses of the Reviewing Accountant, if any, shall be allocated as provided in Section 1.6(i). At the Closing, Acquirer shall repay or cause to be repaid all Company Debt.

5.10 Employees.

(a) Notwithstanding anything to the contrary in this Agreement, with the exception of the Key Employees, none of Acquirer, Merger Sub or the Surviving Company shall have any obligation to make an offer of employment to any employee of the Company. With respect to matters described in this Section 5.10, the Company will consult with Acquirer (and will consider in good faith the advice of Acquirer) prior to sending any notices or other communication materials to its employees. Effective no later than immediately prior to the Closing (or at such other time designated by Acquirer), the Company shall terminate the employment of each of the Company employees specified in writing by Acquirer no later than five Business Days prior to the Closing Date (collectively, the “Designated Employees”), and the Company shall require such Designated Employees, if any, to execute a Separation Agreement as a condition to the receipt of any severance paid by the Company.
The Company shall ensure that there shall be no outstanding securities, commitments or agreements of the Company immediately prior to the Effective Time that purport to obligate the Company to issue any Company Units under any circumstances.

During the period commencing on the Closing Date and concluding on the one-year anniversary of the Closing Date, Acquirer shall, or shall cause the Surviving Company or its other applicable Affiliates to, provide the Continuing Employees (other than the Key Employees) who remain employed during such period with compensation and employee benefits that are substantially similar in the aggregate to those provided by the Company to such Continuing Employees as of immediately prior to the Effective Time (excluding for purposes of this sentence any equity-based incentive compensation and any pension benefits). With respect to any health or other group welfare benefit plan of Acquirer in which a Continuing Employee participates following the Closing Date, Acquirer shall take commercially reasonable efforts to cause (i) any pre-existing conditions or limitations and eligibility waiting periods under such Acquirer plan to be waived with respect to such Continuing Employee and his or her eligible dependents, to the extent waived under the corresponding Company Employee Plan in which the Continuing Employee or his or her eligible dependents participated as of immediately prior to the Closing Date, and (ii) any deductibles paid by such Continuing Employee under any Company Employee Plan in the plan year in which the Closing Date occurs to be credited towards the deductibles under the corresponding Acquirer plan.

As soon as practicable following the Effective Time, certain Continuing Employees will be eligible to receive standard equity awards denominated in Parent Ordinary Shares in accordance with Parent’s standard equity award policies, in such amounts as may be set forth in the applicable Employment Agreements and otherwise as shall be determined by Parent. Such awards shall be subject to the terms and conditions set forth in Parent’s 2018 Farfetch Employee Equity Plan, as amended from time to time, and the applicable equity award agreement.

Nothing contained in this Section 5.10, express or implied: (i) is intended to confer upon any Continuing Employee any right to continued employment for any period or modify such Continuing Employee’s at-will employment status, (ii) shall guarantee receipt of any specific employee benefit or constitute an amendment to or any other modification of any benefit plan, (iii) shall alter or limit Acquirer, the Surviving Company, or any of their respective Affiliates’ ability to amend, modify or terminate any particular benefit plan, program, agreement or arrangement or (iv) is intended to confer upon any individual (including employees, retirees or dependents or beneficiaries of employees or retirees) any right as a third-party beneficiary of this Agreement.

Effective as of the day immediately preceding the Closing Date, the Company shall terminate all Company Employee Plans that are “employee benefit plans” within the meaning of ERISA, including any Company Employee Plans intended to include a Section 401(k) arrangement (unless Acquirer provides written notice to the Company no later than three Business Days prior to the Closing Date that such 401(k) plans shall not be terminated). The Company shall provide Acquirer with evidence that such Company Employee Plan(s) have been terminated (effective no later than the day immediately preceding the Closing Date) pursuant to resolutions of the Voting Members. The form and substance of such resolutions shall be subject to review and approval by Acquirer. The Company also shall take such other actions in furtherance of terminating such Company Employee Plan(s) as Acquirer may reasonably require.

The Company shall prepare and deliver to Acquirer a draft of each of the Company Closing Financial Certificate and the Spreadsheet not later than five Business Days prior to the Closing Date and a final version of the Company Closing Financial Certificate and the Spreadsheet to Acquirer not later than three Business Days prior to the Closing Date. In the event that Acquirer notifies the Company that there are reasonably apparent errors in the drafts of the Company Closing Financial Certificate and the Spreadsheet, Acquirer and the Company shall discuss such errors in good faith and the Company shall correct such errors prior to delivering the final versions of the same in accordance with this Section 5.12. Without limiting the foregoing or Section 5.7, the Company shall provide to Acquirer, together with the Company Closing Financial Certificate and the Spreadsheet, such supporting documentation, information and calculations as are reasonably necessary for Acquirer to verify and determine the calculations, amounts and other matters set forth in the Company Closing Financial Certificate and the Spreadsheet.
5.13 Tax Matters.

(a) Tax Return Filings for Pre-Closing Tax Period. The Members’ Agent shall prepare, or cause to be prepared, all Tax Returns required to be filed by the Company and each Company Subsidiary after the Closing Date with respect to a Pre-Closing Tax Period that are prepared and filed on a pass-through basis (“Company Pass-Through Tax Returns”). The Company Pass-Through Tax Returns shall be prepared in a manner consistent with past practices (unless otherwise required by Applicable Law) and shall be submitted by the Members’ Agent to Acquirer (together with schedules, statements and, to the extent requested by Acquirer, supporting documentation) for review and comment at least 60 days prior to the due date (including extensions) of any such Tax Returns. The Members’ Agent shall not unreasonably refuse to incorporate any comments of Acquirer with respect to the Company Pass-Through Tax Returns. Acquirer shall prepare all other Tax Returns of the Company and each Company Subsidiary for Pre-Closing Tax Periods and Straddle Periods, and in the case of income and other material Tax Returns that could form the basis of a claim for indemnification, shall permit the Members’ Agent to review and comment on such Tax Returns prior to filing. Except as Acquirer reasonably determines to be necessary to correct positions taken by the Company or its Subsidiaries that are erroneous or inconsistent with applicable Tax law, Acquirer shall not, without the Members’ Agent’s prior written consent, amend or file in a manner inconsistent with past practices any sales and use Tax Return of the Company or its Subsidiaries for any Pre-Closing Tax Periods. Any proceeding by a Tax Authority with respect to any sales and use Tax Return resulting from a filing made under the preceding sentence shall be handled in accordance with the procedures set forth in Section 5.13(c).

(b) Transaction Expenses. To the extent permitted by law, all Tax expenses, deductions, losses and credits associated with the Transaction Expenses shall be reported on the Company’s Tax Returns for the Pre-Closing Tax Period.

(c) Tax Claims. Acquirer agrees to give notice to the Members’ Agent of the receipt of any written notice which involves the assertion of any claim, or the commencement of any Legal Proceeding, in respect of the Company or any Company Subsidiary for which an indemnity may be sought by Acquirer pursuant to Article VIII with respect to Taxes (a “Tax Claim”); provided, however, that failure to deliver such notice shall not limit Acquirer’s rights to indemnification except to the extent the Company Members are actually prejudiced thereby. Acquirer shall control the contest or resolution of any Tax Claim; provided, however, that Acquirer shall consult with and take into account the Members’ Agent’s reasonable comments before entering into any settlement of a Tax Claim or ceasing to defend a Tax Claim; and, provided, further, that Acquirer shall keep the Members’ Agent reasonably informed about the conduct of such Tax Claims. To the extent that any obligation or responsibility pursuant to Article VIII may overlap with an obligation or responsibility pursuant to this Section 5.13(c), the provisions of Article VIII shall apply. Notwithstanding anything to the contrary in the foregoing, the Members’ Agent or “tax matters partner” (as defined in Section 6231(a)(7) of the Code, prior to the amendments made by P.L. 114-74), as applicable, shall control the conduct of any federal audit of the Company’s IRS Form 1065 for taxable years beginning before December 31, 2017; provided, however, that the Members’ Agent or tax matters partner, as the case may be, shall keep Parent reasonably informed about the conduct of such Tax Claim and, to the extent the settlement of any such Tax Claim could affect the Company’s Taxes in any Taxable Period (or portion thereof) after the Closing Date, shall consult with and take into account Parent’s reasonable comments on the settlement of any such Tax Claim.

(d) Each of Acquirer, the Members’ Agent, the Company Members and the Company shall cooperate fully, as and to the extent reasonably requested by any of the others, in connection with the filing of Tax Returns and any Legal Proceeding with respect to Taxes. Such cooperation shall include the retention and (upon request therefor) the provision of records and information reasonably relevant to any such Legal Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Acquirer, the Company, the Company Members and the Members’ Agent agree to retain all books and records with respect to Tax matters pertinent to the Company and each Company Subsidiary relating to any Pre-Closing Tax Period until expiration of the statute of limitations of the respective taxable periods, and to abide by all record retention agreements entered into with any Tax Authority. Without limiting the generality of the foregoing, at Acquirer’s request, the Members’ Agent shall cause an election under Section 754 of the Code to be in effect for the Company’s taxable year ending on and including the Closing Date.

(e) The Company shall cause each Company Member to further agree, upon Acquirer’s request, to use their reasonable best efforts to obtain any certificate or other document from any Governmental Entity or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including with respect to the Transactions); provided, however, that this Section 5.13(e) shall not be read to modify or expand the Company’s obligations pursuant to Section 5.13(h).
(f) Acquirer and the Company intend that the cash and Parent Ordinary Shares payable to the holders of Company Units pursuant to Section 1.3(a) will be treated as received in exchange for the applicable holder’s Company Units, and agree to report such payments for income Tax purposes as consideration for such holder’s Company Units and, except as otherwise required by Applicable Law, not as compensation for services.

(g) **Purchase Price Allocation**. As soon as practicable following the Closing, but in any event within 60 days after the Closing Date, Acquirer shall prepare a draft schedule (the “Allocation Statement”) allocating the Merger Consideration and the Liabilities of the Company (to the extent such Liabilities are included in “amount realized” for U.S. federal income Tax purposes) and each Company Subsidiary among the assets of the Company and each Company Subsidiary for purposes of (i) Section 1060 of the Code, (ii) Section 751 of the Code (and the statement required to be filed under Treasury Regulations Section 1.751-1(a)(3)), (iii) IRS Form 8308, and (iv) the sale by the Company Members of Company Units under Section 741 of the Code and the purchase by Acquirer of undivided interests in the assets of the Company, in each case pursuant to Revenue Ruling 99-6, 1999-1 C.B. 432, Situation 2. The Allocation Statement will allocate the Merger Consideration among the assets of the Company and each Company Subsidiary in a manner consistent with the fair market values of the assets of the Company and each Company Subsidiary and the principles of Section 1060 of the Code and the Treasury Regulations thereunder. Acquirer shall consider in good faith all reasonable comments of the Members’ Agent on the Allocation Statement received within 30 days after delivery of the draft Allocation Schedule, after which the Allocation Schedule shall be deemed final. The parties hereto shall file all Tax Returns, including IRS Form 8594 (with respect to Acquirer), in a manner consistent with the Allocation Statement, and no party shall take any position in any Tax Return that is inconsistent with the Allocation Statement unless required to do so by a Tax Authority. The Allocation Statement shall be adjusted to reflect any adjustments to the Merger Consideration after the Closing Date in a manner consistent with this Section 5.13(g).

(h) **Other Covenants**. Prior to the Closing, the Company agrees to take the actions set forth on Schedule 5.13(h) of the Company Disclosure Letter.

5.14 **Rule 144.** Acquirer shall cause Parent to comply with the filing requirements set forth in Sections 13 and 15(d) of the Exchange Act (as referred to in subparagraph (c) of Rule 144 adopted by the SEC under the Securities Act) and the rules and regulations adopted by the SEC thereunder (or, if Parent is not required to file such reports, Acquirer will, upon the reasonable request of Accredited Converting Holders holding at least a majority of the then-outstanding Closing Share Consideration held by the Accredited Converting Holders, cause Parent to make publicly available other material information at a time, and in a manner, reasonably determined by Acquirer) and will take such further action as any Accredited Converting Holder may reasonably request, all to the extent required from time to time to enable such Accredited Converting Holder to sell Parent Ordinary Shares without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 under the Securities Act, as such Rules may be amended from time to time. Upon the request of any Accredited Converting Holder, provided that such request may not be made more frequently than once every 12 months, Acquirer shall cause Parent to deliver to such Accredited Converting Holder a written statement as to whether it has complied with such requirements. Notwithstanding anything to the contrary contained in the foregoing, nothing in this Section 5.14 shall be deemed to require Parent to register any of its securities pursuant to the Exchange Act.

5.15 **Directors’ and Officers’ Tail Insurance.**

(a) Prior to the Closing Date, the Company shall purchase a six-year “tail” coverage with respect to its current directors and officers liability policy that will name the Surviving Company as beneficiary (the “Tail Policy”). The Company shall prepay the full premium for the Tail Policy prior to the Closing Date. After the Closing Date, Acquirer and the Surviving Company shall not take any action to cause such Tail Policy to be canceled or terminated.

(b) The last sentence of Section 5.15(a) is intended to be for the benefit of, and shall be enforceable by, the current directors and officers of the Company and the Company Subsidiaries (the “Indemnified D&Os”) (or their heirs, personal representatives, successors or assigns). The Surviving Company shall, and Acquirer shall cause the Surviving Company or its successors to, pay all costs and expenses (including reasonable attorneys’ fees) incurred by any Indemnified D&O (or his or her heirs, personal representatives, successors or assigns) in any legal action brought by such person that is successful in enforcing the obligations of Acquirer, the Surviving Company or its successors under the last sentence of Section 5.15(a). The obligations of Acquirer, the Surviving Company and its successors under the last sentence of Section 5.15(a) shall not be terminated, amended or otherwise modified in such a manner as to adversely affect any Indemnified D&O (or his or her heirs, personal representatives, successors or assigns) without the prior written consent of such Indemnified D&O (or his or her heirs, personal representatives, successors or assigns, as applicable).
ARTICLE VI
Conditions to the Merger

6.1 Conditions to Obligations of Each Party to Effect the Merger. The respective obligations of each party hereto to consummate the Transactions shall be subject to the satisfaction or waiver in writing at or prior to the Closing of each of the following conditions:

(a) Voting Member Approval. The Voting Member Approval shall have been duly and validly obtained.

(b) Illegality. No Order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the Merger shall be in effect, and no action shall have been taken by any Governmental Entity seeking any of the foregoing, and no Applicable Law or Order shall have been enacted, entered, enforced or deemed applicable to the Merger that makes the consummation of the Merger illegal.

6.2 Additional Conditions to Obligations of the Company. The obligations of the Company to consummate the Transactions shall be subject to the satisfaction or waiver at or prior to the Closing of each of the following conditions (it being understood and agreed that each such condition is solely for the benefit of the Company and may be waived by the Company in writing in its sole discretion without notice or Liability to any Person):

(a) Representations, Warranties and Covenants. The representations and warranties made by Acquirer herein shall be true and correct in all material respects (except for such representations and warranties that are qualified by their terms by a reference to materiality or Material Adverse Effect, which representations and warranties as so qualified shall be true and correct in all respects) on and as of the Agreement Date and on and as of the Closing Date as though such representations and warranties were made on and as of such dates (except for representations and warranties that address matters only as to a specified date or dates, which representations and warranties shall be true and correct with respect to such specified date or dates). Acquirer shall have performed and complied in all material respects with all covenants, agreements and obligations herein required to be performed and complied with by Acquirer at or prior to the Closing.

(b) Receipt of Closing Deliveries. The Company shall have received each of the agreements, instruments, certificates and other documents set forth in Section 1.2(a).

6.3 Additional Conditions to the Obligations of Acquirer. The obligations of Acquirer and Merger Sub to consummate the Transactions shall be subject to the satisfaction or waiver at or prior to the Closing of each of the following conditions (it being understood and agreed that each such condition is solely for the benefit of Acquirer and Merger Sub and may be waived by Acquirer (on behalf of itself and/or Merger Sub) in writing in its sole discretion without notice or Liability to any Person):

(a) Representations, Warranties and Covenants. The representations and warranties made by the Company herein shall be true and correct in all material respects (except for such 60 representations and warranties that are qualified by their terms by a reference to materiality or Material Adverse Effect, which representations and warranties as so qualified shall be true and correct in all respects) on and as of the Agreement Date and on and as of the Closing Date as though such representations and warranties were made on and as of such dates (except for representations and warranties that address matters only as to a specified date or dates, which representations and warranties shall be true and correct with respect to such specified date or dates). The Company shall have performed and complied in all material respects with all covenants, agreements and obligations herein required to be performed and complied with by the Company at or prior to the Closing.

(b) Receipt of Closing Deliveries. Acquirer shall have received each of the agreements, instruments, certificates and other documents set forth in Section 1.2(b).

(c) Injunctions or Restraints on Conduct of Business. No Order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition limiting or restricting Acquirer’s ownership, conduct or operation of the Business following the Closing, shall be in effect, and no Legal Proceedings seeking any of the foregoing, or any other injunction, restraint or material damages in connection with the Merger or the other Transactions or prohibiting or limiting the consummation of the Transactions, shall be pending or threatened.

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(d) No Legal Proceedings. No Governmental Entity or other Person shall have commenced or threatened to commence any Legal Proceeding challenging or seeking the recovery of a material amount of damages in connection with the Merger or the other Transactions or seeking to prohibit or limit the exercise by Acquirer of any material right pertaining to ownership of Equity Interests of the Surviving Company.

(e) No Material Adverse Effect. There shall not have occurred a Material Adverse Effect with respect to the Company.

(f) No Outstanding Securities. Other than the Company Units and the Company Convertible Notes, no Person has any Equity Interests of the Company, unit appreciation rights, unit schemes, calls or rights, or is party to any Contract of any character to which the Company or a Company Member is a party or by which it or its assets is bound, obliging the Company or such Company Member to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any Equity Interests of the Company or other rights to purchase or otherwise acquire any Equity Interests of the Company, whether vested or unvested.

(g) Employees.

(i) (A) Each Key Employee shall have signed an Employment Agreement, a Share Restriction Agreement and a Restrictive Covenant Agreement, each of which shall continue to be in full force and effect and no action shall have been taken by any such individual to rescind any of such agreements, and (B) the employment of each of the Designated Employees shall have been terminated effective no later than immediately prior to the Closing and such Designated Employees shall have executed a Separation Agreement.

(ii) No fewer than (A) 80% of the salaried employees of the Company, excluding the Designated Employees, shall have remained continuously employed with the Company from the Agreement Date through the Closing and shall become Continuing Employees and (B) 60 hourly employees are employed by the Company as of the Closing and shall become Continuing Employees.

(iii) The Employment Agreements shall not have been amended, supplemented or modified in any manner (other than with Acquirer’s prior written consent).

(h) Joinder Agreement. The Joinder Agreement shall have been duly executed by each holder of Class C Units and such other holders of Company Units who, together with the holders of Class C Units and the Voting Members, constitute the holders of at least 90% of all Company Units outstanding as of immediately prior to the Closing.

(i) Privacy Policy. The Company will have modified the Company’s Privacy Policies in a form acceptable to Acquirer.

ARTICLE VII
Termination

7.1 Termination. At any time prior to the Closing, this Agreement may be terminated and the Merger abandoned by authorized action taken by the terminating party, whether before or after the Voting Member Approval is obtained:

(a) by mutual written consent duly authorized by Acquirer and both Voting Members;

(b) by either Acquirer or the Company, by written notice to the other, if the Closing shall not have occurred on or before July 12, 2019, or such other date that Acquirer and the Company may agree upon in writing (the “Termination Date”), provided that the right to terminate this Agreement under this Section 7.1(b) shall not be available to any party whose breach of any covenant, agreement or obligation hereunder will have been the principal cause of, or will have directly resulted in, the failure of the Closing to occur on or before the Termination Date;

(c) by either Acquirer or the Company, by written notice to the other, if any Order of a Governmental Entity of competent authority preventing the consummation of the Merger shall have become final and non-appealable;
by Acquirer, by written notice to the Company, if (i) there shall have been an inaccuracy in any representation or warranty made by, or a breach of any covenant, agreement or obligation of, the Company herein and such inaccuracy or breach shall not have been cured within five Business Days after receipt by the Company of written notice of such inaccuracy or breach and, if not cured within such period and at or prior to the Closing, such inaccuracy or breach would result in the failure of any of the conditions set forth in Section 6.1 or Section 6.3 to be satisfied (provided that no such cure period shall be available or applicable to any such breach that by its nature cannot be cured), (ii) there shall have been a Material Adverse Effect with respect to the Company or (iii) the Company shall have breached Section 5.1 or Section 5.2; or

by the Company, by written notice to Acquirer, if there shall have been an inaccuracy in any representation or warranty made by, or a breach of any covenant, agreement or obligation of, Acquirer herein and such inaccuracy or breach shall not have been cured within five Business Days after receipt by Acquirer of written notice of such inaccuracy or breach and, if not cured within such period and at or prior to the Closing, such breach would result in the failure of any of the conditions set forth in Section 6.1 or Section 6.2 to be satisfied (provided that no such cure period shall be available or applicable to any such inaccuracy or breach that by its nature cannot be cured).

7.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 7.1, this Agreement shall forthwith become void and there shall be no Liability on the part of Acquirer, Merger Sub, the Company or their respective officers, directors, members, stockholders or Affiliates or the Members’ Agent; provided that (i) Section 5.3 (Confidentiality; Public Disclosure), Section 5.9 (Expenses; Company Debt), this Section 7.2 (Effect of Termination), Article IX (General Provisions) and any related definition provisions in or referenced in Exhibit A and the Confidentiality Agreement shall remain in full force and effect and survive any termination of this Agreement and (ii) nothing herein shall relieve any party hereto from Liability in connection with any intentional misrepresentation made by, or a willful breach of any covenant, agreement or obligation of, such party herein.

ARTICLE VIII
Escrow Fund and Indemnification

8.1 Escrow Fund.

(a) At the Effective Time, Acquirer shall withhold the Cash Escrow Amount from the Merger Consideration payable pursuant to Section 1.3(a) and shall deposit the Cash Escrow Amount with PNC National Bank as escrow agent (the “Escrow Agent”) (the aggregate amount of cash so held by the Escrow Agent from time to time, the “Escrow Fund”), which Escrow Fund shall be governed by this Agreement and the escrow agreement in substantially the form attached hereto as Exhibit G with such changes as Acquirer and the Members’ Agent may agree in writing (the “Escrow Agreement”). The Escrow Fund shall constitute partial security for the benefit of Acquirer (on behalf of itself or any other Acquirer Indemnified Person) with respect to any Indemnifiable Damages pursuant to the indemnification obligations of the Converting Holders under Section 1.6(h) and this Article VIII. Subject to Section 8.4, the Escrow Agent shall hold the Escrow Fund until 11:59 p.m. local time on April 1, 2020 (the “Escrow Release Date”). Neither the Escrow Fund (including any portion thereof) nor any beneficial interest therein may be pledged, subjected to any Encumbrance, sold, assigned or transferred by any Converting Holder or be taken or reached by any legal or equitable process in satisfaction of any debt or other Liability of any Converting Holder, in each case prior to the distribution of the Escrow Fund to any Converting Holder in accordance with Section 8.1(b), except that each Converting Holder shall be entitled to assign such Converting Holder’s Pro Rata Share of the Escrow Fund by will, by the laws of intestacy or by other operation of law.

(b) Within two Business Days following the Escrow Release Date, the Escrow Agent will distribute to each Converting Holder such Converting Holder’s Pro Rata Share of the Escrow Fund less that portion of the Escrow Fund that is determined, in the reasonable judgment of Acquirer, to be necessary to satisfy all unsatisfied or disputed claims for indemnification specified in any Claim Certificate delivered to the Members’ Agent on or prior to the Escrow Release Date in accordance with this Article VIII. Any portion of the Escrow Fund held by the Escrow Agent following the Escrow Release Date with respect to pending but unresolved claims for indemnification that is not awarded to Acquirer upon the resolution of such claims shall be distributed by the Escrow Agent to the Converting Holders within two Business Days following resolution of such claims and in accordance with each such Converting Holder’s Pro Rata Share of such portion of the Escrow Fund.
8.2 Indemnification.

(a) By the Converting Holders on Behalf of the Company. Subject to the limitations set forth in this Article VIII, from and after the Closing, each Converting Holder shall severally but not jointly (in proportion to each such Converting Holders’ Pro Rata Share) indemnify and hold harmless Acquirer, Merger Sub and the Company and their respective officers, directors, agents and employees and each Person, if any, who controls or may control Acquirer within the meaning of the Securities Act (each, an “Acquirer Indemnified Person”) from and against, and shall compensate and reimburse each Acquirer Indemnified Person for, any and all losses, Liabilities, damages, claims, fees, Taxes, interest, costs and expenses, including costs of enforcement, investigation and defense and reasonable fees and expenses of counsel, experts and other professionals, directly or indirectly, whether or not due to a Third-Party Claim (collectively, “Indemnifiable Damages”), arising out of, resulting from or in connection with:

(i) any failure of any representation or warranty made by the Company herein or in the Company Disclosure Letter (including any exhibit to or schedule of the Company Disclosure Letter) to be true and correct (I) as of the Agreement Date (except in the case of representations and warranties that by their terms speak only as of a specified date or dates, which representations and warranties shall be true and correct as of such date or dates), or (II) as of the Closing Date as though such representation or warranty were made as of the Closing Date (except in the case of representations and warranties that by their terms speak only as of a specific date or dates, which representations and warranties shall be true and correct as of such date or dates);

(ii) any failure of any certification, representation or warranty made by the Company in any certificate (other than the Spreadsheet and the Company Closing Financial Certificate) delivered to Acquirer pursuant to this Agreement to be true and correct as of the date such certificate is delivered to Acquirer;

(iii) any breach of, or default in connection with, any of the covenants, agreements or obligations made by the Company herein or in any other agreements contemplated by the Transaction Documents or the Merger;

(iv) any Company Debt or Transaction Expenses, or any inaccuracies in the Spreadsheet or the Company Closing Financial Certificate (including any Taxes payable by the Company Members described in Section 1.8 that are not included in the calculation of Company Net Working Capital);

(v) any claims by (A) any then-current or former holder or alleged then-current or former holder of any Equity Interests of the Company (including any predecessors), arising out of, resulting from or in connection with (I) the Transactions or this Agreement, including the allocation of the Merger Consideration or any portion thereof, or (II) such Person’s status or alleged status as a holder of Equity Interests of the Company (including any predecessors) at any time at or prior to the Closing, whether for breach of fiduciary duty or otherwise, (B) any Person to the effect that such Person is entitled to any Equity Interest of Acquirer or the Company or any payment in connection with the Transactions other than as specifically set forth on the Spreadsheet or (C) any Person with respect to any plan, policy or Contract providing for compensation to any Person in the form of Equity Interests;

(vi) any matter that is or would be an exception to the representations and warranties made in Section 2.6 (Litigation) as of the Agreement Date or the Closing;

(vii) subject to Section 8.3(i), any Pre-Closing Taxes to the extent not taken into account in calculating the Company Net Working Capital;

(viii) any fraud, intentional misrepresentation or willful misconduct by or on behalf of the Company in the making of any of the representations and warranties contained in Article II (including the related portions of the Company Disclosure Letter and certificates delivered hereunder) or otherwise in connection with the Transactions; and

(ix) the matters set forth in Section 8.2(a)(ix) of the Company Disclosure Letter.
(b) By the Converting Holders on Behalf of Such Converting Holder. Subject to the limitations set forth in this Article VIII, from and after the Closing, each Converting Holder shall severally but not jointly (in proportion to each such Converting Holders’ Pro Rata Share) indemnify and hold harmless each Acquirer Indemnified Person from and against, and shall compensate and reimburse each Acquirer Indemnified Person for, any and all Indemnifiable Damages arising out of, resulting from or in connection with:

(i) with respect to any Converting Holder that delivered an Investor Representation Letter, any failure of any representation or warranty made by such Converting Holder in such Converting Holder’s Investor Representation Letter to be true and correct (I) as of the date of such Investor Representation Letter or (II) as of the Closing Date as though such representation or warranty were made as of the Closing Date (except in the case of representations and warranties that by their terms speak only as of a specific date or dates, which representations and warranties shall be true and correct as of such date or dates); and

(ii) any fraud, intentional misrepresentation or willful misconduct by or on behalf of such Converting Holder in the making of any representations and warranties contained in such Converting Holder’s Investor Representation Letter or otherwise in connection with the Transactions.

(c) By Acquirer. Subject to the limitations set forth in this Article VIII, from and after the Closing, Acquirer shall indemnify and hold harmless each Converting Holder and their respective officers, directors, agents and employees and each Person, if any, who controls or may control any such Converting Holder within the meaning of the Securities Act (each, a “Company Indemnified Person” and, together with the Acquirer Indemnified Persons, each an “Indemnified Person”) from and against, and shall compensate and reimburse each Company Indemnified Person for, any and all Indemnifiable Damages arising out of, resulting from or in connection with:

(i) any failure of any representation or warranty made by Acquirer or Merger Sub herein to be true and correct (I) as of the Agreement Date (except in the case of representations and warranties that by their terms speak only as of a specified date or dates, which representations and warranties shall be true and correct as of such date or dates), or (II) as of the Closing Date as though such representation or warranty were made as of the Closing Date (except in the case of representations and warranties that by their terms speak only as of a specific date or dates, which representations and warranties shall be true and correct as of such date or dates);

(ii) any failure of any certification, representation or warranty made by Acquirer or Merger Sub in any certificate delivered to the Company or the Members’ Agent pursuant to this Agreement to be true and correct as of the date such certificate is delivered to the Company or the Members’ Agent;

(iii) any breach of, or default in connection with, any of the covenants, agreements or obligations made by Acquirer or Merger Sub herein or in any other agreements contemplated by the Transaction Documents or the Merger; and

(iv) any fraud, intentional misrepresentation or willful misconduct by or on behalf of Acquirer or Merger Sub in the making of any of the representations and warranties contained in Article III (including the related portions of the certificates delivered hereunder) or otherwise in connection with the Transactions.

(d) Materiality and knowledge standards or qualifications, qualifications or requirements that a matter be or not be “reasonably expected” or “reasonably likely” to occur and qualifications by reference to the defined term “Material Adverse Effect” in any representation, warranty, covenant, agreement or obligation shall only be taken into account in determining whether an inaccuracy in such representation or warranty, or a breach of such covenant, agreement or obligation, exists, and shall not be taken into account in determining the amount of any Indemnifiable Damages with respect to such inaccuracy or breach.

8.3 Indemnifiable Damage Threshold; Other Limitations.

(a) Notwithstanding anything to the contrary contained herein, no Acquirer Indemnified Person, on the one hand, or Company Indemnified Person, on the other hand, may make a claim for Indemnifiable Damages arising out of, resulting from or in connection with the matters listed in clauses (i) or (ii) of Section 8.2(a), with respect to Acquirer Indemnified Persons, or clauses (i) or (ii) of Section 8.2(c), with respect to Company Indemnified Persons (in each case, other than claims arising out of, resulting from or in connection with (i) fraud, intentional misrepresentation or willful misconduct by or on behalf of the Company (in the making of
any of the representations and warranties contained in Article II (including the related portions of the Company Disclosure Letter and certificates delivered hereunder) or otherwise in connection with the Transactions) or such Converting Holder (in the making of any of the representations and warranties contained in such Converting Holder’s Investor Representation Letter or otherwise in connection with the Transactions), on the one hand, or Acquirer or Merger Sub (in the making of any of the representations and warranties contained in Article III (including the related portions of the certificates delivered hereunder or otherwise in connection with the Transactions), on the other hand (as applicable), or (ii) any failure of any of the Special Representations to be true and correct as aforesaid) unless and until a Claim Certificate (together with any other delivered Claim Certificates by Acquirer Indemnified Persons, on the one hand, or Company Indemnified Persons, on the other hand) describing Indemnifiable Damages in an aggregate amount greater than $2,000,000 (the “Basket”) has been delivered, in which case the Acquirer Indemnified Person or Company Indemnified Person, as applicable, may make claims for indemnification, compensation and reimbursement and, with respect to the Acquirer Indemnified Person, may receive cash from the Escrow Fund for all such Indemnifiable Damages (including the amount of the Basket). The Basket shall not apply to any other Indemnifiable Damages or claims therefor.

(b) If the Merger is consummated, the aggregate Liability of the Converting Holders under this Agreement shall not exceed the Cash Escrow Amount for Indemnifiable Damages (and not specific performance or other equitable remedies in accordance with Section 9.10) arising out of, resulting from or in connection with the matters listed in clauses (i) and (ii) of Section 8.2(a), except (i) in the case of fraud, intentional misrepresentation or willful misconduct by or on behalf of the Company (in the making of any of the representations and warranties contained in Article II (including the related portions of the Company Disclosure Letter and certificates delivered hereunder) or otherwise in connection with the Transactions) or such Converting Holder (in the making of any of the representations and warranties contained in such Converting Holder’s Investor Representation Letter or otherwise in connection with the Transactions) and (ii) any failure of any of the representations and warranties made by (A) the Company in Section 2.1(a) (Organization, Standing, Power and Subsidiaries), Section 2.2 (Capital Structure), Section 2.3 (Authority; Non-contravention), Section 2.9 (Title to, Condition and Sufficiency of Assets), Section 2.10 (Intellectual Property), Section 2.11 (Taxes) or Section 2.12 (Employee Benefit Plans and Employee Matters) or (B) the Company in any certificate delivered to Acquirer pursuant to this Agreement that are within the scope of those covered by the foregoing Sections (collectively, the “Special Representations”) to be true and correct as aforesaid.

(c) Other than with respect to any matters described in clause (i) of Section 8.3(b), the Acquirer Indemnified Persons (x) must first seek recovery for any Indemnifiable Damages from the then-remaining Escrow Fund, which shall be the first source of recovery for all such Indemnifiable Damages with respect to claims made on or prior to the Escrow Release Date, and (y) only after exhaustion of the then-remaining Escrow Fund (after taking into account all other claims for indemnification, compensation and reimbursement from the Escrow Fund made by any Acquirer Indemnified Person), or following the Escrow Release Date, may any Acquirer Indemnified Person seek indemnification for such amounts not satisfied by the then-remaining Escrow Fund from the Converting Holders directly, in each case, in accordance with, and subject to, the terms and limitations set forth in this Article VIII. In the case of any claims for Indemnifiable Damages arising out of, resulting from or in connection with the failure of any of the Special Representations to be true and correct as aforesaid or the matters listed in clauses (iii) through (x) of Section 8.2(a) or the matters listed in Section 8.2(b) (collectively, “Special Claims”), after the Acquirer Indemnified Persons have exhausted or made claims upon all amounts held in the Escrow Fund (after taking into account all other claims for indemnification, compensation and reimbursement from the Escrow Fund made by any Acquirer Indemnified Person), or following the Escrow Release Date (in each case, as described in the immediately preceding sentence), each Converting Holder shall have Liability for such Converting Holder’s Pro Rata Share of the amount of any Indemnifiable Damages resulting therefrom. Notwithstanding anything to the contrary contained herein, (i) the total Liability of a Converting Holder for Special Claims shall be limited to the aggregate amount of cash and the aggregate number of Parent Ordinary Shares payable and issuable, respectively, to such Converting Holder pursuant to Section 1.3(a), and (ii) any limitation of Liability in this Section 8.3(c) shall not apply in the case of fraud, intentional misrepresentation or willful misconduct by or on behalf of the Company (in the making of any of the representations and warranties contained in Article II (including the related portions of the Company Disclosure Letter and certificates delivered hereunder) or otherwise in connection with the Transactions) or such Converting Holder (in the making of any of the representations and warranties contained in such Converting Holder’s Investor Representation Letter or otherwise in connection with the Transactions).

(d) Notwithstanding anything to the contrary contained herein, Acquirer’s aggregate Liability for Indemnifiable Damages indemnifiable under Section 8.2(c) shall not exceed $90,000,000.
(e) Except to the extent that such damages are actually awarded to or otherwise part of a settlement with a third party in connection with a Third-Party Claim, Indemnifiable Damages shall not include (i) any punitive or special damages of any kind, or (ii) incidental, consequential or indirect damages, lost profits or loss of value, damage to reputation or loss of goodwill, whether based on contract, tort, strict liability or otherwise, except, in the case of clause (ii), to the extent such damages are reasonably foreseeable in connection with the event that gives rise thereto or the matter for which indemnification is sought hereunder.

(f) Notwithstanding anything to the contrary contained herein, (i) no Converting Holder shall have any right of indemnification, compensation, reimbursement, contribution or right of advancement from Acquirer, the Surviving Company or any other Acquirer Indemnified Person (based upon such Converting Holder’s position as an officer, employee or agent of the Company or otherwise) with respect to any Indemnifiable Damages claimed by any Acquirer Indemnified Person or any right of subrogation against the Company or the Surviving Company with respect to any indemnification, compensation or reimbursement of an Acquirer Indemnified Person by reason of any of the matters set forth in Section 8.2(a), (ii) the rights and remedies of the Acquirer Indemnified Persons after the Effective Time shall not be limited by (x) any investigation by or on behalf of, or disclosure to (other than in the Company Disclosure Letter with respect to clauses (i) and (ii) of Section 8.2(a), subject to any limitations expressly set forth therein), any Acquirer Indemnified Person at or prior to the Effective Time regarding any failure, breach or other event or circumstance or (y) any waiver of any condition to the Closing related thereto, (iii) if an Acquirer Indemnified Person’s claim under this Article VIII may be properly characterized in multiple ways in accordance with this Article VIII such that such claim may or may not be subject to different limitations depending on such characterization, then such Acquirer Indemnified Person shall have the right to characterize such claim in a manner that maximizes the recovery and time to assert such claim permitted in accordance with this Article VIII and (iv) no Converting Holder shall be liable for the breach of any representation, warranty, covenant or agreement of another Converting Holder or any fraud, intentional misrepresentation or willful misconduct by or on behalf of any Person other than the Company (in the making of any of the representations and warranties contained in Article II (including the related portions of the Company Disclosure Letter and certificates delivered hereunder) or otherwise in connection with the Transactions) or such Converting Holder (in the making of any of the representations and warranties contained in such Converting Holder’s Investor Representation Letter or otherwise in connection with the Transactions); provided that nothing herein shall limit the liability of a Converting Holder for any fraud, intentional misrepresentation or willful misconduct by or on behalf of the Company or such Converting Holder.

(g) All Indemnifiable Damages shall be calculated net of the amount of any actual recoveries actually received by an Indemnified Person under any existing insurance policies and contractual indemnification or contribution provisions (in each case, calculated net of any actual collection costs and reserves, expenses, deductibles or premium adjustments or retrospectively rated premiums (as determined in good faith by an Indemnified Person) incurred or paid to procure such recoveries) in respect of any Indemnifiable Damages suffered, paid, sustained or incurred by any Indemnified Person; provided that no Indemnified Person shall have any obligation to seek to obtain or continue to pursue any such recoveries. In any case where an Indemnified Person recovers under insurance policies any amount in respect of a matter for which such Indemnified Person was indemnified pursuant to Section 8.2, such Indemnified Person shall promptly pay over to the Members’ Agent, with respect to an Acquirer Indemnified Person, or Acquirer, with respect to a Company Indemnified Person, the amount so recovered (after deducting therefrom the amount of the out-of-pocket expenses incurred by such Indemnified Person in procuring such recovery), but not in excess of the sum of any amount previously so paid to or on behalf of such Indemnified Person in respect of such matter.

(h) In no event shall any Indemnified Person be entitled to seek or receive indemnification for the same Indemnifiable Damages more than once under this Article VIII even if a claim for indemnification with respect to such Indemnifiable Damages has been made as a result of a breach of more than one representation, warranty, covenant or agreement contained in this Agreement.

(i) No Acquirer Indemnified Person shall be entitled to indemnification pursuant to any provision of Section 8.2(a) for any Indemnifiable Damages described in Schedule 8.3(i) of the Company Disclosure Letter.

8.4 Period for Claims. Except as otherwise set forth in this Section 8.4, the period (the “Claims Period”) during which claims may be made (i) for Indemnifiable Damages arising out of, resulting from or in connection with the matters listed in clauses (i) and (ii) of Section 8.2(a) (other than with respect to any of the Special Representations) or clauses (i) and (ii) of Section 8.2(c) (other than with respect to any of the Acquirer Special Representations) shall commence at the Closing and terminate at 11:59 p.m. local time on the Escrow Release Date, (ii) for Indemnifiable Damages arising out of, resulting from or in connection with all other matters,
including Special Claims but excluding the matters listed in clause (viii) of Section 8.2(a), shall commence at the Closing and terminate at 11:59 p.m. local time on the date that is 30 days following the expiration of the statute of limitations applicable thereto, and (iii) for Indemnifiable Damages arising out of, resulting from or in connection with the matters listed in clause (viii) of Section 8.2(a) shall commence at the Closing and terminate at 11:59 p.m. local time on the date that is seven years and one month following the Closing Date. Notwithstanding anything to the contrary contained herein: (A) such portion of the Escrow Fund at the Escrow Release Date as in the reasonable judgment of Acquirer may be necessary to satisfy any unresolved or unsatisfied claims for Indemnifiable Damages specified in any Claim Certificate delivered to the Members’ Agent on or prior to the Escrow Release Date shall remain in the Escrow Fund until such claims for Indemnifiable Damages have been resolved or satisfied; and (B) the Claims Period for claims for Indemnifiable Damages arising out of, resulting from or in connection with fraud, intentional misrepresentation or willful misconduct (in the making of any of the representations and warranties contained in this Agreement or in any Investor Representation Letter or otherwise in connection with the Transactions) shall not be limited.

8.5 Claims.

(a) From time to time during the Claims Period, Acquirer may deliver to the Members’ Agent, and the Members’ Agent may deliver to Acquirer, one or more certificates signed by any officer of Acquirer or the Members’ Agent, as applicable (each, a “Claim Certificate”):

(i) stating that an Indemnified Person has incurred, paid, reserved or accrued, or in good faith believes that it may incur, pay, reserve or accrue, Indemnifiable Damages (or that with respect to any Tax matters and Indemnifiable Damages related thereto for which an Acquirer Indemnified Person may seek recovery pursuant to Section 8.2, that any Tax Authority may raise such matter in audit of the Company or any of its Affiliates, that could give rise to Indemnifiable Damages);

(ii) stating the amount of such Indemnifiable Damages (which, in the case of Indemnifiable Damages not yet incurred, paid, reserved or accrued, may be the maximum amount believed by the Indemnified Person in good faith to be incurred, paid, reserved, accrued or demanded by a third party); and

(iii) specifying in reasonable detail (based upon the information then possessed by the Person sending the Claim Certificate) the individual items of such Indemnifiable Damages included in the amount so stated and the nature of the claim to which such Indemnifiable Damages are related.

(b) Such Claim Certificate (i) need only specify such information to the knowledge of such officer of Acquirer or the Members’ Agent, as applicable, as of the date thereof, (ii) shall not limit any of the rights or remedies of any Indemnified Person with respect to the underlying facts and circumstances specifically set forth in such Claim Certificate and (iii) may be updated and amended from time to time by Acquirer or the Members’ Agent, as applicable, by delivering any updated or amended Claim Certificate, so long as the delivery of the original Claim Certificate is made within the applicable Claims Period and such update or amendment relates to the underlying facts and circumstances specifically set forth in such original Claims Certificate; provided that all claims for Indemnifiable Damages properly set forth in a Claim Certificate or any update or amendment thereto shall remain outstanding until such claims have been resolved or satisfied, notwithstanding the expiration of such Claims Period. No delay in providing such Claim Certificate within the applicable Claims Period shall affect an Indemnified Person’s rights hereunder, unless (and then only to the extent that) the Members’ Agent or the Converting Holders, or Acquirer, as applicable, are materially prejudiced thereby.

8.6 Resolution of Objections to Claims.

(a) If the Members’ Agent or Acquirer, as applicable does not contest, by written notice to the Members’ Agent, with respect to Acquirer, or Acquirer, with respect to the Members’ Agent, any claim or claims by such Company Indemnified Person or Acquirer Indemnified Person, respectively, made in any Claim Certificate within the 20-day period following receipt of the Claim Certificate, then (i) with respect to any Acquirer Indemnified Person (I) if prior to the Escrow Release Date, the Escrow Agent shall, upon Acquirer’s direction, distribute to Acquirer an amount of cash from the Escrow Fund having a total value equal to the amount of any Indemnifiable Damages corresponding to such claim or claims made by Acquirer Indemnified Persons as set forth in such Claim Certificate, and (II) if on or after the Escrow Release Date, each Converting Holder shall, on a several but not joint basis, pay to the Acquirer Indemnified Person such Converting Holder’s Pro Rata Share of an amount of cash having a total value equal to the amount of any Indemnifiable Damages corresponding to such claim or claims as set forth in such Claim Certificate or (ii) with respect to any Company Indemnified Person, Acquirer shall pay to the Members’ Agent (on behalf of the Converting Holders) an amount of cash having a total value equal to the amount of any Indemnifiable Damages corresponding to such claim or claims as set forth in such Claim Certificate.
If the Members’ Agent or Acquirer, as applicable, objects in writing to any claim or claims by an Indemnified Person in any Claim Certificate within the 20-day period set forth in Section 8.6(a), Acquirer and the Members’ Agent shall attempt in good faith for 45 days after receipt of such written objection to resolve such objection. If Acquirer and the Members’ Agent shall so agree with respect to a Claim Certificate delivered by Acquirer to the Escrow Agent prior to the Escrow Release Date and if any amount remains available in the Escrow Fund as of the date of such agreement, then a joint written instruction setting forth such agreement shall be prepared, signed by both parties and delivered to the Escrow Agent, which joint written instruction shall direct the Escrow Agent to distribute to Acquirer an amount of cash from the Escrow Fund in accordance with the terms of such joint written instruction. If Acquirer and the Members’ Agent shall so agree either (i) with respect to a Claim Certificate delivered by Acquirer on or after the Escrow Release Date or (ii) with respect to a Claim Certificate delivered by the Members’ Agent, the applicable Person(s) required to provide indemnification under this Agreement (an “Indemnifying Person”) shall pay to the Indemnified Person (or to the Members’ Agent on behalf of the Converting Holders in the event the Acquirer is the Indemnifying Person) the agreed amount.

If no such agreement can be reached during the 45-day period for good faith negotiation set forth in Section 8.6(b), but in any event upon the expiration of such 45-day period, either Acquirer or the Members’ Agent may bring an arbitration in accordance with the terms of Section 9.11 to resolve the matter. The decision of the arbitrator as to the validity and amount of any claim in such Claim Certificate shall be non-appealable, binding and conclusive upon the parties hereto and the Converting Holders, and, with respect to a Claim Certificate delivered by Acquirer to the Escrow Agent prior to the Escrow Release Date and if any amount remains available in the Escrow Fund as of the date of the arbitrator’s decision, Acquirer shall be entitled to instruct the Escrow Agent to distribute to Acquirer an amount of cash from the Escrow Fund in accordance therewith.

Judgment upon any determination of an arbitrator may be entered in any court having jurisdiction. For purposes of this Section 8.6(d), in any suit hereunder in which any claim or the amount thereof stated in the Claim Certificate is at issue, Acquirer shall be deemed to be the prevailing party unless the arbitrator determines in favor of the Members’ Agent (on behalf of the Converting Holders) with respect to more than one-half of the amount in dispute, in which case the Converting Holders shall be deemed to be the prevailing party. The non-prevailing party to an arbitration shall pay its own fees and expenses and the fees and expenses of the prevailing party, including attorneys’ fees and costs, reasonably incurred in connection with such suit.

Any portion of the Escrow Fund held by the Escrow Agent following the Escrow Release Date shall be paid by the Escrow Agent to the Members’ Agent for further distribution to the Converting Holders within five Business Days following resolution of such claims and in accordance with each such Converting Holder’s Pro Rata Share of such portion of the Escrow Fund.

8.7 Members’ Agent.

(a) At the Closing, Jed Stiller shall be constituted and appointed as the Members’ Agent. The Members’ Agent shall be the agent for and on behalf of the Converting Holders to: (i) execute, as the Members’ Agent, this Agreement and any agreement or instrument entered into or delivered in connection with the Transactions, (ii) give and receive notices, instructions and communications permitted or required under this Agreement, or any other agreement, document or instrument entered into or executed in connection herewith, for and on behalf of any Converting Holder, to or from Acquirer (on behalf of itself or any other Indemnified Person) relating to this Agreement or any of the Transactions and any other matters contemplated by this Agreement or by such other agreement, document or instrument (except to the extent that this Agreement expressly contemplates that any such notice or communication shall be given or received by each Converting Holder individually), (iii) review, negotiate and agree to and authorize Acquirer to reclaim an amount of cash from the Escrow Fund in satisfaction of claims asserted by Acquirer (on behalf of itself or any other Indemnified Person, including by not objecting to such claims) pursuant to this Article VIII, (iv) object to such claims pursuant to Section 8.6, (v) consent or agree to, negotiate, enter into, or, if applicable, contest, prosecute or defend, settlements and compromises of, and demand arbitration and comply with Orders of courts and awards of arbitrators with respect to, such claims, resolve any such claims, take any actions in connection with the resolution of any dispute relating hereto or to the Transactions by arbitration, settlement or otherwise, and take or forego any or all actions permitted or required of any Converting Holder or necessary in the judgment of the Members’ Agent for the accomplishment of the foregoing and all of the other terms, conditions and limitations of this Agreement, (vi) consult with legal counsel, independent public accountants and other experts selected by it, solely at the cost and expense of the Converting Holders, (vii) consent or agree to any amendment to this Agreement or to waive any terms and conditions of this Agreement providing rights or benefits to the Converting Holders (other than with respect to the payment and issuance of the Merger Consideration less the Cash Escrow Amount) in accordance with the
terms hereof and in the manner provided herein, (viii) pursuant to Section 1.6, review, negotiate, object to, accept or agree to Acquirer’s calculation of Company Net Working Capital and (ix) take all actions necessary or appropriate in the judgment of the Members’ Agent for the accomplishment of the foregoing, in each case without having to seek or obtain the consent of any Person under any circumstance. Acquirer, Merger Sub and their respective Affiliates (including after the Effective Time, the Surviving Company) shall be entitled to rely on the appointment of Jed Stiller as the Members’ Agent and treat such Members’ Agent as the duly appointed attorney-in-fact of each Converting Holder and as having the duties, power and authority provided for in this Section 8.7. The Converting Holders shall be bound by all actions taken and documents executed by the Members’ Agent in connection with this Article VIII, and Acquirer and other Indemnified Persons shall be entitled to rely exclusively on any action or decision of the Members’ Agent. The Person serving as the Members’ Agent may be removed or replaced from time to time, or if such Person resigns from its position as the Members’ Agent, then a successor may be appointed, by the holders of a majority in interest of the aggregate amount of cash then held in the Escrow Fund (or, in the event that there is no cash then held in the Escrow Fund by the Converting Holders collectively having a Pro Rata Share greater than 50% upon not less than 30 days’ prior written notice to Acquirer). No bond shall be required of the Members’ Agent.

(b) Except as otherwise provided herein, the Members’ Agent shall have the sole discretion to use the Expense Fund Amount to pay any out-of-pocket costs or expenses incurred by the Members’ Agent in its capacity as the Members’ Agent, including any attorneys’, accountants’ and other experts’ fees. Once the Members’ Agent determines, in its discretion, that it will not incur any additional expenses in its capacity as the Members’ Agent, it will distribute, at its sole expense, to the Converting Holders, pro rata in proportion to each such Converting Holders’ Pro Rata Share, the remaining unused portion of the Expense Fund Amount, if any, without interest; provided, further, however, that in the event (i) the Expense Fund Amount is, in the opinion of the Members’ Agent, insufficient to satisfy those costs or expenses referenced in the first sentence of this Section 8.7(b), or (ii) subsequent to distribution of any unused portion of the Expense Fund Amount pursuant to this Section 8.7(b), the Members’ Agent incurs any additional costs or expenses in its capacity as the Members’ Agent (or in good faith believes it will do so), then any amounts necessary to satisfy the Members’ Agent pursuant to clauses (i) or (ii) of this Section 8.7(b) shall be deducted from any amounts that are otherwise payable to the Converting Holders from the Escrow Fund in connection with any distribution therefrom to the Converting Holders in accordance with the Escrow Agreement.

(c) The Members’ Agent shall not be liable to any Converting Holder for any act done or omitted hereunder as the Members’ Agent while acting in good faith (and any act done or omitted pursuant to the advice of counsel shall be conclusive evidence of such good faith) and without gross negligence or willful misconduct. The Members’ Agent shall serve as the Members’ Agent without compensation; provided that the Converting Holders shall severally but not jointly indemnify the Members’ Agent and hold him harmless against any loss, Liability, damage, penalty, fine, cost or expense incurred without gross negligence, willful misconduct or bad faith on the part of the Members’ Agent and arising out of, resulting from or in connection with the acceptance or administration of his duties hereunder, including all reasonable out-of-pocket costs and expenses and legal fees and other legal costs reasonably incurred by the Members’ Agent. The Expense Fund Amount shall be available to satisfy any such indemnification obligation of the Converting Holders according to their respective Pro Rata Shares. If not satisfied from the Expense Fund Amount or paid directly to the Members’ Agent by the Converting Holders, such losses, Liabilities, damages, penalties, fines, costs or expenses may be recovered by the Members’ Agent from the portion of the Escrow Fund otherwise distributable to the Converting Holders (and not distributed or distributable to an Indemnified Person or subject to a pending indemnification claim of an Indemnified Person) on or after the Escrow Release Date pursuant to the terms hereof; at the time of distribution, and such recovery will be made from the Converting Holders according to their respective Pro Rata Shares of such losses, Liabilities, damages, penalties, fines, costs or expenses.

(d) After the Closing, any notice or communication given or received by, and any decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of, the Members’ Agent that is within the scope of the Members’ Agent’s authority under Section 8.7(a) shall constitute a notice or communication to or by, or a decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of all the Converting Holders and shall be final, binding and conclusive upon each such Converting Holder; and each Indemnified Person shall be entitled to rely exclusively upon any such notice, communication, decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction as being a notice or communication to or by, or a decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of, each and every such Converting Holder. Acquirer, Merger Sub, the Surviving Company and the Indemnified Persons are hereby relieved from any Liability to any Person for any acts done by them in accordance with such notice, communication, decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of the Members’ Agent.
(e) From and after the Effective Time, Acquirer shall cause the Surviving Company and its Subsidiaries to provide the Members’ Agent with reasonable access to information about the Surviving Company and its Subsidiaries and the reasonable assistance of their officers and employees, in each case, for the limited purpose of defending against a claim for Indemnifiable Damages; provided, however, that the Members’ Agent shall not unreasonably interfere with any of the operations or business activities of the Surviving Company or its Subsidiaries in exercising the rights pursuant to this Section 8.7(e).

8.8 Third-Party Claims. In the event Acquirer becomes aware of a claim by a third party (a “Third-Party Claim”) that Acquirer in good faith believes may result in a claim for Indemnifiable Damages by or on behalf of an Indemnified Person, Acquirer shall have the right, subject to this Section 8.8, in its sole discretion to conduct the defense of and to settle or resolve such Third-Party Claim (and the costs and expenses incurred by Acquirer in connection with defense, settlement, resolution or enforcement in connection with such Third-Party Claim including reasonable attorneys’ fees, other professionals’ and experts’ fees and court or arbitration costs) shall be included in the Indemnifiable Damages for which Acquirer shall be entitled to receive indemnification pursuant to a claim made hereunder, and such costs and expenses shall constitute Indemnifiable Damages subject to indemnification under Section 8.2 regardless of whether it is ultimately determined that such Third-Party Claim arose out of, resulted from or was in connection with a matter listed in Section 8.2). Acquirer shall keep the Members’ Agent reasonably informed of all material developments relating to all Third-Party Claims, including by promptly providing the Members’ Agent with copies of all pleadings, notices and communications with respect to each such Third-Party Claim, in each case to the extent that the provision of such information or any portion thereof to the Members’ Agent would not, on the advice of counsel to Acquirer, result in the loss of any legal privilege for the benefit of any Indemnified Person with respect to such information or portion thereof, subject to execution by the Members’ Agent of a non-disclosure agreement reasonably acceptable to Acquirer (and, if required, such third party) to the extent that such materials contain confidential or proprietary information. Notwithstanding anything to the contrary in the foregoing, Acquirer shall not, without the prior written consent of the Members’ Agent, enter into any settlement or compromise or consent to the entry of any judgment with respect to any Third-Party Claim (which consent shall not be unreasonably withheld, conditioned or delayed and which consent shall be deemed to have been given unless the Members’ Agent shall have objected within 30 days after a written request therefor by Acquirer; it being understood and agreed that the Members’ Agent will be deemed to be reasonable in withholding consent if such settlement, compromise or judgment (A) involves a finding or admission of wrongdoing or liability of the Converting Holdings, (B) does not include a written release by the claimant or plaintiff of each Converting Holder from all liability in respect of such Third-Party Claim or (C) imposes equitable remedies, criminal liability or any obligation on any such Company Member other than solely the payment of money damages for which the Indemnified Party will be indemnified hereunder in accordance with and subject to the limitations set forth herein. Unless otherwise consented to in writing in advance by Acquirer in its sole discretion, the Members’ Agent and its Affiliates may not participate in any Third-Party Claim or any action related to such Third-Party Claim (including any discussions or negotiations in connection with the settlement, adjustment or compromise thereof). In the event that the Members’ Agent has consented to the amount of any settlement or resolution by Acquirer of any such Third-Party Claim, or if the Members’ Agent shall have been determined to have unreasonably withheld, conditioned or delayed its consent to the amount of any such settlement or resolution of such Third-Party Claim, neither the Members’ Agent nor any Converting Holder shall have any power or authority to object under this Article VIII to the amount of Indemnifiable Damages related to such claim as consented to or any claim by or on behalf of any Indemnified Person against the Escrow Fund or, if applicable, any Converting Holder for indemnity with respect to such settlement or resolution.

8.9 Treatment of Indemnification Payments. Acquirer, the Members’ Agent and the Converting Holders agree to treat (and cause their respective Affiliates to treat) any payment received by any Indemnified Persons pursuant to this Article VIII as adjustments to the Merger Consideration for all Tax purposes to the maximum extent permitted by Applicable Law.
9.1 Survival of Representations, Warranties and Covenants. If the Merger is consummated, the representations and warranties made by any party hereto, including in the Company Disclosure Letter (including any exhibit to or schedule of the Company Disclosure Letter), and in the other certificates contemplated by this Agreement shall survive the Closing and remain in full force and effect, regardless of any investigation or disclosure made by or on behalf of any of the parties hereto, until the date that is 15 months following the Closing Date; provided that, regardless of any investigation or disclosure made by or on behalf of any of the parties hereto, (a) (i) the Special Representations (other than Section 2.11 (Taxes)) and (ii) the representations and warranties made by (A) Acquirer and Merger Sub in Section 3.1 (Organization and Standing), Section 3.2 (Authority; Non-contravention) and Section 3.3 (Issuance of Shares) (collectively, the “Acquirer Special Representations”), or (B) Acquirer or Merger Sub in any certificate delivered to the Company or Members’ Agent pursuant to this Agreement that are within the scope of those covered by the foregoing Sections, will remain operative and in full force and effect until the date that is 30 days following expiration of the statute of limitations applicable thereto, and (b) the representations and warranties made by the Company in Section 2.11 (Taxes), will remain operative and in full force and effect until the date that is seven years and one month following the Closing Date, in each case of clauses (a) and (b) for claims against any Indemnifying Person that seek recovery of Indemnifiable Damages arising out of, resulting from or in connection with an inaccuracy in such representations or warranties; provided, further, that no right to indemnification pursuant to Article VIII in respect of any claim that is set forth in a Claim Certificate delivered to the applicable Indemnifying Person on or prior to the expiration of such representations and warranties shall be affected by such expiration; provided, further, that such expiration shall not affect the rights of any Indemnified Person under Article VIII or otherwise to seek recovery of Indemnifiable Damages arising out of, resulting from or in connection with any fraud, intentional misrepresentation or willful misconduct by or on behalf of any Indemnifying Person (in the making of any of the representations and warranties contained in this Agreement or in any Investor Representation Letter or otherwise in connection with the Transactions). If the Merger is consummated, all covenants, agreements and obligations of the parties hereto shall expire and be of no further force or effect as of the Closing, except to the extent such covenants, agreements and obligations provide that they are to be performed after the Closing; provided that no right to indemnification pursuant to Article VIII in respect of any claim based upon any breach of a covenant, agreement or obligation shall be affected by the expiration of such covenant, agreement or obligation.

9.2 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by commercial delivery service, or mailed by registered or certified mail (return receipt requested) or sent via facsimile or electronic mail (in each case, if provided below and with automated or personal confirmation of receipt) to the parties hereto at the following address (or at such other address for a party as shall be specified by like notice):

(i) if to Acquirer, Merger Sub or Parent, to:

Farfetch Limited
The Bower, 211 Old Street
London EC1V 9NR, United Kingdom
Attention: Holly Sage, Head of Legal (Corporate/Commercial)
Telephone No.: #
Email: #

with a copy (which shall not constitute notice) to:

Fenwick & West LLP
902 Broadway, Suite 14
New York, NY 10010
Attention: Ken S. Myers
Telephone No.: #
Email: #
(ii) if to the Company, to:

Stadium Enterprises LLC  
c/o White and Williams LLP  
7 Times Square Suite, 2900  
New York NY 10036  
Attention: Jed Stiller  
Telephone No.: ########################

with a copy (which shall not constitute notice) to:

White and Williams LLP  
7 Times Square, Suite 2900  
New York, NY 10036  
Attention: Randy M. Friedberg and Joshua Galante  
Telephone No.: ########################; ########################

Email: ########################; ########################

(iii) If to the Members’ Agent, to:

Jed Stiller  
c/o White and Williams LLP  
7 Times Square, Suite 2900  
New York, NY 10036  
Telephone No.: ########################

with a copy (which shall not constitute notice) to:

White and Williams LLP  
7 Times Square, Suite 2900  
New York, NY 10036  
Attention: Randy M. Friedberg and Joshua G. Galante  
Telephone No.: ########################; ########################

Email: ########################; ########################

Any notice given as specified in this Section 9.2 (i) if delivered personally or sent by facsimile or electronic mail transmission shall conclusively deemed to have been given or served at the time of dispatch if sent or delivered on a Business Day or, if not sent or delivered on a Business Day, on the next following Business Day and (ii) if sent by commercial delivery service or mailed by registered or certified mail (return receipt requested) shall conclusively be deemed to have been received on the third Business Day after the post of the same.

9.3 Interpretation. When a reference is made herein to Articles, Sections, subsections, Schedules or Exhibits, such reference shall be to an Article, Section or subsection of, or a Schedule or an Exhibit to this Agreement unless otherwise indicated. The headings contained herein are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words “include,” “includes” and “including” when used herein shall be deemed in each case to be followed by the words “without limitation.” Where a reference is made to a Contract, instrument or Applicable Law as amended, modified or supplemented, including (in the case of Contracts or instruments) by waiver or consent and (in the case of Applicable Law) by succession of comparable successor Applicable Law and references to all attachments thereto and instruments incorporated therein; provided, however, that with respect to Contracts and instruments set forth in the Company Disclosure Letter, no such amendment, modification or supplement (including by waiver or consent) shall be deemed incorporated therein unless expressly set forth in the Company Disclosure Letter and a copy of which has been provided to Acquirer in accordance with clause (viii) below. Unless the context of this Agreement otherwise requires: (i) words of any gender include each other gender and neutral forms of such words, (ii) words using the singular or plural number also include the plural or singular number, respectively, (iii) the terms “hereof,” “herein,” “hereto,” “hereunder” and derivative or similar words refer to this entire Agreement, (iv) references to clauses without a cross-reference
to a Section or subsection are references to clauses within the same Section or, if more specific, subsection, (v) references to any person include the successors and permitted assigns of that person, (vi) references from or through any date shall mean, unless otherwise specified, from and including or through and including, respectively, (vii) the phrases “provide to,” “made available” and “deliver to” and phrases of similar import mean that a true, correct and complete paper or electronic copy of the information or material referred to has been delivered to the party to whom such information or material is to be provided and (viii) the phrases “provided to Acquirer” or “made available to Acquirer” and phrases of similar import means, with respect to any information, document or other material of the Company or its Affiliates, that such information, document or material was made available for review and properly indexed by the Company and its Representatives in the virtual data room established by the Company in connection with this Agreement prior to the execution of this Agreement or actually delivered (whether by physical or electronic delivery) to Acquirer or its Representatives prior to the execution of this Agreement. The symbol “S” refers to United States Dollars. The word “extent” in the phrase “to the extent” means the degree to which a subject or other thing extends and such phrase shall not mean simply “if.” References to a Person are also to its permitted successors and assigns. All references to “days” shall be to calendar days unless otherwise indicated as a “Business Day.” Any action otherwise required to be taken on a day that is not a Business Day shall instead be required to be taken on the next succeeding Business Day, and if the last day of a time period is a non-Business Day, such period shall be deemed to end on the next succeeding Business Day. Unless indicated otherwise, all mathematical calculations contemplated by this Agreement shall be rounded to the tenth decimal place, except in respect of payments, which shall be rounded to the nearest whole United States cent.

9.4 Amendment. Subject to Applicable Law, the parties hereto may amend this Agreement by authorized action at any time pursuant to an instrument in writing signed on behalf of each of the parties hereto; provided that no amendment shall be made to this Agreement that by Applicable Law requires further approval by the Company Members without such further approval. To the extent permitted by Applicable Law, Acquirer and the Members’ Agent may cause this Agreement to be amended at any time after the Closing by execution of an instrument in writing signed on behalf of Acquirer and the Members’ Agent.

9.5 Extension; Waiver. At any time at or prior to the Closing, any party hereto may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto owed to such party, (ii) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto and (iii) waive any breaches of any of the covenants, agreements, obligations or conditions for the benefit of such party contained herein. At any time after the Closing, Acquirer and the Members’ Agent may, to the extent legally allowed, (A) extend the time for the performance of any of the obligations of the other owed to such party, (B) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto or (C) waive any breaches of any of the covenants, agreements, obligations or conditions for the benefit of such party contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing that is (I) prior to the Closing with respect to the Company and/or the Company Members, signed by the Company, (II) after the Closing with respect to the Converting Holders and/or the Members’ Agent, signed by the Members’ Agent and (III) with respect to Acquirer and/or Merger Sub, signed by Acquirer. Without limiting the generality or effect of the preceding sentence, no failure to exercise or delay in exercising any right under this Agreement shall constitute a waiver of such right, and no waiver of any breach or default shall be deemed a waiver of any other breach or default of the same or any other provision herein.

9.6 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties hereto; it being understood and agreed that all parties hereto need not sign the same counterpart. The delivery by facsimile or by electronic delivery in PDF format of this Agreement with all executed signature pages (in counterparts or otherwise) shall be sufficient to bind the parties hereto to the terms and conditions set forth herein. All of the counterparts will together constitute one and the same instrument and each counterpart will constitute an original of this Agreement.

9.7 Entire Agreement; Parties in Interest. This Agreement and the documents and instruments and other agreements specifically referred to herein or delivered pursuant hereto, including all the exhibits attached hereto, the Schedules, including the Company Disclosure Letter, (a) constitute the entire agreement among the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties hereto with respect to the subject matter hereof, except for the Confidentiality Agreement, which shall continue in full force and effect, and shall survive any termination of this Agreement, in accordance with its terms and (b) are not intended to confer, and shall not be construed as conferring, upon any Person other than the parties hereto any rights or remedies hereunder (except that Article VIII is intended to benefit the Indemnified Persons).

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9.8 Assignment. Neither this Agreement nor any of the rights and obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of the other parties hereto, and any such assignment without such prior written consent shall be null and void, except that Acquirer and/or Merger Sub may assign its rights and delegate its obligations under this Agreement to any direct or indirect wholly owned subsidiary of Acquirer without the prior consent of any other party hereto; provided that notwithstanding any such assignment, Acquirer and/or Merger Sub, as applicable, shall remain liable for all of its obligations under this Agreement. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and assigns.

9.9 Severability. In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement shall continue in full force and effect and shall be interpreted so as reasonably necessary to effect the intent of the parties hereto. The parties hereto shall use all reasonable efforts to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that shall achieve, to the greatest extent possible, the economic, business and other purposes of such void or unenforceable provision.

9.10 Remedies Cumulative; Specific Performance. Except as otherwise provided herein, including Section 1.6(j) and Section 8.3, any and all remedies herein expressly conferred upon a party hereto shall be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party hereto of any one remedy shall not preclude the exercise of any other remedy; provided that nothing herein shall be deemed a waiver by any party hereto of any right to specific performance or injunctive relief. It is accordingly agreed that, subject to Section 8.3(b), the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which they are entitled at law or in equity, and the parties hereto hereby waive the requirement of any posting of a bond in connection with the remedies described herein.

9.11 Submission to Jurisdiction; Consent to Service of Process; Waiver of Jury Trial.

(a) The parties hereto hereby irrevocably submit to the exclusive jurisdiction of the courts of the State of New York and the Federal courts of the United States of America located in the State of New York, the place where this Agreement was entered and is to be performed, in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to herein, and in respect of the Transactions, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or thereof, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a New York State or Federal court. The parties hereto hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 9.2 or in such other manner as may be permitted by Applicable Law, shall be valid and sufficient service thereof. With respect to any particular action, suit or proceeding, venue shall lie solely in the County of New York, New York. A party hereto may apply either to a court of competent jurisdiction or to an arbitrator, if one has been appointed, for pre ajudgment remedies and emergency relief pending final determination of a claim pursuant to this Section 9.11. The appointment of an arbitrator does not preclude a party hereto from seeking prejudgment remedies and emergency relief from a court of competent jurisdiction.

(b) THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NEGOTIATION, VALIDITY OR PERFORMANCE OF THIS AGREEMENT OR THE TRANSACTIONS. EACH OF THE PARTIES HERETO HEREBY ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.11.

9.12 Governing Law. This Agreement, all acts and transactions pursuant hereto and all obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of Delaware without reference to such state’s principles of conflicts of law that would refer a matter to a different jurisdiction.

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9.13 **Rules of Construction.** The parties hereto have been represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, hereby waive, with respect to this Agreement, each Schedule and each Exhibit attached hereto, the application of any Applicable Law or rule of construction providing that ambiguities in an agreement or other document shall be construed against the party drafting such agreement or document.

9.14 **Provisions Respecting Legal Representation.** Each of the parties to this Agreement hereby agrees, on its own behalf and on behalf of its Representatives, that White and Williams LLP may serve as counsel to the Members’ Agent, any Converting Holder and/or their respective Affiliates (individually and collectively, the “**Holder Group**”), on the one hand, and the Company, on the other hand, in connection with the negotiation, preparation, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, and that, following consummation of the transactions contemplated hereby, White and Williams LLP (or any successor) may serve as counsel to the Holder Group in connection with this Agreement, the other Transaction Documents and/or the Transactions notwithstanding such representation and each of the parties hereto hereby consents thereto and waives any conflict of interest arising therefrom, and each of such parties shall cause any Affiliate thereof to consent to waive any conflict of interest arising from such representation. Acquirer and Merger Sub further agree that, as to all communications prior to the Closing between the Holder Group and White and Williams LLP relating to the Transactions or the other Transaction Documents, following the Effective Time, the attorney-client privilege and the expectation of client confidence belongs solely to Acquirer and the Surviving Company and may be controlled only by Acquirer and the Surviving Company and shall not be claimed by the Holder Group; provided that Acquirer and the Surviving Company shall not assert such attorney-client privilege against the Holder Group or assert any such privileged communications or information learned as a result thereof (or use any of the foregoing as evidence) in a dispute (including a dispute under Article VIII) with any members of the Holder Group.

9.15 **Acquirer and Merger Sub Obligations.** Parent shall cause Acquirer and Merger Sub to satisfy their respective obligations under this Agreement.

[SIGNATURE PAGE NEXT]
IN WITNESS WHEREOF, Acquirer, Merger Sub, the Company, the Members’ Agent and Parent, solely for purposes of Section 9.15, have caused this Agreement and Plan of Merger to be executed and delivered by their respective officers thereunto duly authorized (or with respect to the Members’ Agent, personally but solely in his capacity as the Members’ Agent), all as of the date first written above.

FARFETCH US HOLDINGS, INC.

By: /s/ Jeffery Fowler
Name: Jeffery Fowler
Title: Chief Executive Officer

YANKEE MERGER SUB, LLC

By: /s/ Jeffery Fowler
Name: Jeffery Fowler
Title: President and Chief Executive Officer

FARFETCH LIMITED

By: /s/ Jose Neves
Name: Jose Neves
Title: CEO

[Signature Page to Agreement and Plan of Merger]
IN WITNESS WHEREOF, Acquirer, Merger Sub, the Company, the Members’ Agent and Parent, solely for purposes of Section 9.15, have caused this Agreement and Plan of Merger to be executed and delivered by their respective officers thereunto duly authorized (or with respect to the Members’ Agent, personally but solely in his capacity as the Members’ Agent), all as of the date first written above.

STADIUM ENTERPRISES LLC

By: /s/ Jed Stiller
Name: Jed Stiller
Title: Managing Partner

[Signature Page to Agreement and Plan of Merger]
IN WITNESS WHEREOF, Acquirer, Merger Sub, the Company, the Members’ Agent and Parent, solely for purposes of Section 9.15, have caused this Agreement and Plan of Merger to be executed and delivered by their respective officers thereunto duly authorized (or with respect to the Members’ Agent, personally but solely in his capacity as the Members’ Agent), all as of the date first written above.

MEMBERS’ AGENT

/s/ Jed Stiller
Name: Jed Stiller

[Signature Page to Agreement and Plan of Merger]
EXHIBIT A
Definitions

As used herein, the following terms shall have the meanings indicated below:

“Accredited Pro Rata Share” means, with respect to a particular Accredited Converting Holder, a fraction, the numerator of which is such Accredited Converting Holder’s Pro Rata Share and the denominator of which is the aggregate Pro Rata Share of all Accredited Converting Holders.

“Acquisition Proposal” means, with respect to the Company, any agreement, offer, proposal or other bona fide indication of interest (other than this Agreement or any other offer, proposal or indication of interest by Acquirer), or any public announcement of intention to enter into any such agreement or of (or intention to make) any offer, proposal or other bona fide indication of interest, relating to, or involving: (i) any acquisition or purchase from the Company, or from the Company Members, by any Person or Group of more than a 10% interest in the total outstanding voting securities of the Company or any tender offer or exchange offer that if consummated would result in any Person or Group beneficially owning 10% or more of the total outstanding voting securities of the Company or any merger, consolidation, business combination or similar transaction involving the Company, (ii) any sale, lease, mortgage, pledge, exchange, transfer, license (other than in the ordinary course of business and consistent with past practice), acquisition, or disposition of more than 10% of the assets of the Company in any single transaction or series of related transactions, (iii) any liquidation, dissolution, recapitalization or other significant corporate reorganization of the Company, or any extraordinary dividend, whether of cash or other property or (iv) any other transaction outside of the ordinary course of business and consistent with past practice, in each case the consummation of which would impede, interfere with, prevent or delay, or would reasonably be expected to impede, interfere with, prevent or delay, the consummation of the Merger or the other Transactions.

“Adjustment Threshold Amount” means $750,000.

“Affiliate” means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such Person, including any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person, in each case as of the date on which, or at any time during the period for which, the determination of affiliation is being made. For purposes of this definition, the term “control” (including the correlative meanings of the terms “controlled by” and “under common control with”), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities or by Contract or otherwise.

“Aggregate Threshold Value” means the sum of the Threshold Values of all outstanding Class B Units as of immediately prior to the Effective Time.

“Agreed Adjustment Amount” means $10,000,000.

“AMEX Balance Allocation” means an amount equal to 50% of the aggregate outstanding balance as of immediately prior to the Effective Time under all American Express (AMEX) credit cards utilized by, or on behalf of, the Company or any Company Subsidiary; provided, however, that in no event shall the Amex Balance Allocation exceed $225,000.

“Anti-Corruption Law” means any Applicable Law relating to anti-bribery or anti-corruption (governmental or commercial), including the Foreign Corrupt Practices Act of 1977, as amended, and any other Applicable Law that prohibits the corrupt payment, offer, promise or authorization of the payment or transfer of anything of value (including gifts or entertainment), directly or indirectly, to any Person, including any Government Official.

“Applicable Law” means, with respect to any Person, any federal, state, foreign, local, municipal or other law, statute, constitution, legislation, principle of common law, resolution, ordinance, code, edict, decree, rule, directive, license, permit, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Entity and any Orders applicable to such Person or such Person’s Affiliates or to any of their respective assets, properties or businesses.
“Business” means the business of the Company as currently conducted and as currently proposed to be conducted by the Company.

“Business Day” means a day (i) other than Saturday or Sunday and (ii) on which commercial banks are open for business in New York.

“Cash Escrow Amount” means $25,000,000 in cash.

“Class A Units” has the meaning set forth in the Operating Agreement.

“Class B Per Unit Aggregate Consideration” means, with respect to each Class B Unit, the Closing Per Unit Aggregate Value minus the Threshold Value for such Class B Unit.

“Class B Per Unit Cash Consideration” means, with respect to each Class B Unit, the Class B Per Unit Aggregate Consideration for such Class B Unit multiplied by the Closing Cash Consideration Percentage.

“Class B Per Unit Share Consideration” means, with respect to each Class B Unit, the quotient of (i) the product of (A) the Class B Per Unit Aggregate Consideration for such Class B Unit multiplied by the Closing Share Consideration Percentage divided by (ii) the Parent Share Price.

“Class B Units” has the meaning set forth in the Operating Agreement.

“Class C Units” has the meaning set forth in the Operating Agreement.

“Class D Units” has the meaning set forth in the Operating Agreement.

“Closing Cash Consideration” means $150,000,000 in cash, (i) increased by the sum of (A) an amount in cash equal to the Company Cash, plus (B) an amount in cash equal to the Closing Net Working Capital Surplus, if any, and (ii) decreased by the sum of (X) an amount in cash equal to Transaction Expenses that are incurred but unpaid as of the Closing, plus (Y) an amount in cash equal to the Company Debt that is unpaid as of the Closing, in each case, calculated based on the amounts set forth in the Company Closing Financial Certificate.

“Closing Cash Consideration Percentage” means one minus the Closing Share Consideration Percentage, expressed as a percentage.

“Closing Net Working Capital Shortfall” means the amount, if any, by which (i) the Closing Net Working Capital Target exceeds (ii) the sum of (A) Company Net Working Capital as set forth in the Company Closing Financial Certificate plus (B) the Adjustment Threshold Amount.

“Closing Net Working Capital Surplus” means the amount, if any, by which (i) the Company Net Working Capital, as set forth in the Company Closing Financial Certificate, minus the Adjustment Threshold Amount exceeds (ii) the Closing Net Working Capital Target.

“Closing Net Working Capital Target” means negative $656,000.

“Closing Per Unit Aggregate Value” means (i) the sum of (A) the Closing Per Unit Cash Consideration plus (B) the product of (I) the Closing Per Unit Share Consideration multiplied by (II) the Parent Share Price.

“Closing Per Unit Cash Consideration” means (i) the sum of (A) the Closing Cash Consideration plus (B) (I) the Aggregate Threshold Value multiplied by (II) the Closing Cash Consideration Percentage divided by (ii) the Outstanding Company Units.

“Closing Per Unit Share Consideration” means (i) the quotient of (A) the Closing Share Consideration divided by (B) the Outstanding Company Units plus (ii) the quotient of (A) the product of (I) the Aggregate Threshold Value multiplied by (II) the Closing Share Consideration Percentage divided by (B) the product of (I) the Parent Share Price multiplied by (II) the Outstanding Company Units.

“Closing Share Consideration” means a number of Parent Ordinary Shares equal to the quotient of (a) $100,000,000 minus the Agreed Adjustment Amount divided by (b) the Parent Share Price.

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“Closing Share Consideration Percentage” means a fraction, expressed as a percentage, the numerator of which is the product of (i) the Closing Per Unit Share Consideration multiplied by (ii) the Parent Share Price and the denominator of which is the Closing Per Unit Aggregate Value.


“Company AR” means the Company’s total consolidated accounts receivable as of the Closing (as defined by and determined in accordance with GAAP)

“Company Cash” means the aggregate amount of all unrestricted cash and cash equivalents of the Company as of the Closing (as defined by and determined in accordance with GAAP), including the amounts of any received but uncleared checks, drafts and wires issued to or for the benefit of the Company prior to such date and time, less the amounts of any unpaid checks, drafts and wires issued by or on behalf of the Company prior to such date and time and the aggregate amount of all cash in the payment escrows set forth on Schedule IV hereto as of the Closing, irrespective of whether such cash is eligible for release from such payment escrows to the Company as of the Closing.

“Company Chargebacks” mean the Company’s total consolidated chargebacks as of the Closing (as defined by and determined in accordance with GAAP and otherwise consistent with the line item labelled “Chargebacks(Pending)” in the Company Balance Sheet).

“Company Closing Financial Certificate” means a certificate executed by the Chief Financial Officer of the Company dated as of the Closing Date, certifying, as of the Closing, the amount of (i) Company Cash, (ii) Company Debt (including (A) an itemized list of each Company Debt (other than Excess Consignor AP) with a description of the nature of such Company Debt and the Person to whom such Company Debt is owed and (B) a calculation of Excess Consignor AP), (iii) Company Net Working Capital (including (A) the Company’s balance sheet as of the Closing prepared on a consistent basis with the Company Balance Sheet, (B) an itemized list of each element of the Company’s consolidated current assets, including Company AR, Company Chargebacks and Company Inventory, and (C) an itemized list of each element of the Company’s consolidated total current liabilities, including Company Consignor AP) and (iv) any Transaction Expenses that are incurred but unpaid.

“Company Consignor AP” means the Company’s total consolidated accounts payable in respect of consignment sellers as of the Closing (as defined by and determined in accordance with GAAP).

“Company Convertible Notes” means the convertible promissory notes issued by the Company to the purchasers thereof on such dates and in such initial principal amounts as set forth on Schedule V hereto.

“Company Debt” means indebtedness of the Company for money borrowed (which, for purposes of this Agreement, shall include (i) Excess Consignor AP, (ii) Company Convertible Notes and any other convertible promissory notes or other similar convertible instruments issued by the Company that remain outstanding as of immediately prior to the Effective Time, (iii) any separation fees incurred by the Company or any Company Subsidiary prior to the Agreement Date to the extent not fully paid as of immediately prior to the Effective Time, (iv) any amounts then owed under the Company’s truck lease, (v) an amount equal to $20,000 as a dilapidations provision, (vi) the Company’s total unredeemed store credits as of immediately prior to the Effective Time and (vii) all outstanding credit card debt of the Company and the Company Subsidiaries as of immediately prior to the Effective Time minus the AMEX Balance Allocation), including any prepayment or other penalties or premium payable in connection with the repayment of such Company Debt at the Closing.

“Company Inventory” means the Company’s total consolidated inventory as of the Closing (as defined by and determined in accordance with GAAP).

“Company Members” means (i) with respect to any time before the Effective Time, collectively, the holders of record of Company Units outstanding as of such time and (ii) with respect to any time at or after the Effective Time, collectively, the holders of record of Company Units outstanding as of immediately prior to the Effective Time.

“Company Net Working Capital” means (i) the Company’s total consolidated current assets as of the Closing (as defined by and determined in accordance with GAAP) less (ii) the Company’s total consolidated current liabilities as of the Closing (as defined by and determined in accordance with GAAP). For purposes of calculating Company Net Working Capital, the Company’s current assets shall (regardless of whether they would be treated as a current asset under GAAP) exclude Company Cash and deferred Tax assets but shall include the
Company’s restricted cash. For purposes of calculating Company Net Working Capital, the Company’s current liabilities shall (regardless of whether they would be treated as a current liability under GAAP) (A) include, without duplication, (I) all Liabilities for trade and other payables and deferred revenue, and (II) all accrued Liabilities, including Liabilities for vacation, paid time off and performance or other bonuses accrued by or for the Company’s employees as of the Closing and (B) exclude all Liabilities for (I) Pre-Closing Taxes (other than sales Tax), (II) Company Debt (which, for purposes of the definition of Company Net Working Capital, shall include all outstanding credit card debt of the Company and the Company Subsidiaries as of immediately prior to the Effective Time) and (III) Transaction Expenses that are incurred but unpaid as of the Closing. Set forth on Schedule VI, for illustrative purposes only, is an example calculation of the Company Net Working Capital as if the Closing had occurred as of October 31, 2018.

“Company Subsidiaries” means each of Kicks Lite and SGNY.

“Company Transaction Documents” means this Agreement and each other Transaction Document to which the Company is or will be a party.

“Company Units” means, collectively, the Class A Units, the Class B Units, the Class C Units and the Class D Units of the Company.

“Continuing Employees” means the employees of the Company who remain employees of the Surviving Company or become employees of Acquirer or one of its subsidiaries as of immediately after the Effective Time.

“Contract” means any written or oral legally binding contract, agreement, instrument, commitment or undertaking of any nature (including leases, subleases, licenses, mortgages, notes, guarantees, sublicenses, subcontracts, letters of intent and purchase orders) as of the Agreement Date or as may hereafter be in effect, including all amendments, supplements, exhibits and schedules thereto.

“Converting Holders” means the Company Members as of immediately prior to the Effective Time.

“DLLCA” means the Limited Liability Company Act of the State of Delaware.

“Encumbrance” means, with respect to any asset, any mortgage, easement, encroachment, equitable interest, right of way, deed of trust, lien (statutory or other), pledge, charge, security interest, title retention device, conditional sale or other security arrangement, collateral assignment, claim, community property interest, adverse claim of title, ownership or right to use, right of first refusal, restriction or other encumbrance of any kind in respect of such asset (including any restriction on (i) the voting of any security or the transfer of any security or other asset, (ii) the receipt of any income derived from any asset, (iii) the use of any asset and (iv) the possession, exercise or transfer of any other attribute of ownership of any asset).

“Environmental, Health and Safety Requirements” means all Applicable Law concerning or relating to worker/occupational health and safety, or pollution or protection of the environment, including those relating to the presence, use, manufacturing, refining, production, generation, handling, transportation, treatment, recycling, transfer, storage, disposal, distribution, importing, labeling, testing, processing, discharge, release, threatened release, control or other action or failure to act involving cleanup of any hazardous materials, substances or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise or radiation, each as amended and as now in effect.

“Equity Interests” means, with respect to any Person, any capital stock of, or other ownership, membership, partnership, joint venture or equity interest in, such Person or any indebtedness, securities, options, warrants, call, subscription or other rights or entitlements of, or granted by, such Person or any of its Affiliates that are convertible into, or are exercisable or exchangeable for, or giving any Person any right or entitlement to acquire any such capital stock or other ownership, partnership, joint venture or equity interest, in all cases, whether vested or unvested.

“Excess Consignor AP” means Company Consignor AP minus (i) Company AR, minus (ii) the product of (A) Company Inventory multiplied by (B) 90%, minus (iii) the product of (A) Company Chargebacks multiplied by (B) 80%. In the event that the calculation of Excess Consignor AP yields a negative number, then, for purposes of this Agreement, Excess Consignor AP shall be deemed to equal zero.

“Expense Fund Amount” means $250,000.

“GAAP” means United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board, that are applicable to the circumstances of the date of determination, consistently applied.

“Government Official” means (i) any official, employee, agent or representative of, or any Person acting in an official capacity for or on behalf of, any Governmental Entity, (ii) any political party, political party official or candidate for political office, (iii) any official, employee, agent or representative of, or any Person acting in an official capacity for or on behalf of, a company, business, enterprise or other entity owned, in whole or in part, or controlled by any Governmental Entity or (iv) any official, employee, agent or representative of, or any Person acting in an official capacity for or on behalf of, a public international organization.

“Governmental Entity” means any supranational, national, state, municipal, local or foreign government, any court, tribunal, arbitrator, administrative agency, commission or other Government Official, authority or instrumentality, in each case whether domestic or foreign, any stock exchange or similar self-regulatory organization or any quasi-governmental or private body exercising any executive, legislative, judicial, regulatory, Tax Authority or other functions of, or pertaining to, government authority (including any governmental or political division, department, agency, commission, instrumentality, official, organization, unit, body or entity and any court or other tribunal).

“Group” has the meaning ascribed to such term under Section 13(d) of the Exchange Act, the rules and regulations thereunder and related case law.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“IRS” means the United States Internal Revenue Service.

“Kicks Lite” means Kicks Lite LLC, a New York limited liability company.

“knowledge” means, with respect to any fact, circumstance, event or other matter in question, the knowledge of such fact, circumstance, event or other matter after reasonable inquiry of (i) an individual, if used in reference to an individual or (ii) with respect to any Person that is not an individual other than the Company, the executive officers of such Person, and with respect to the Company, the Key Employees.

“Legal Proceeding” means any private or governmental action, inquiry, claim, counterclaim, proceeding, suit, hearing, litigation, audit or investigation, in each case whether civil, criminal, administrative, judicial or investigative, or any appeal therefrom.

“Liabilities” (and, with correlative meaning, “Liability”) means all debts, liabilities, commitments and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured, determined or determinable, liquidated or unliquidated, asserted or unasserted, known or unknown, whenever or however arising, including those arising under Applicable Law or any Legal Proceeding or Order of a Governmental Entity and those arising under any Contract, regardless of whether such debt, liability, commitment or obligation would be required to be reflected on a balance sheet prepared in accordance with GAAP or disclosed in the notes thereto.

“Material Adverse Effect” with respect to any Person means any change, event, violation, inaccuracy, circumstance or effect (each, an “Effect”) that, individually or taken together with all other Effects, and regardless of whether such Effect constitutes an inaccuracy in the representations or warranties made by, or a breach of the covenants, agreements or obligations of, such Person herein, (i) is, or would reasonably be likely to be or become, materially adverse in relation to the condition (financial or otherwise), assets (including intangible assets), Liabilities, business, prospects, capitalization, employees, operations or results of operations of such Person and its subsidiaries, taken as a whole, except to the extent that any such Effect directly results from: (A) changes in general economic conditions (provided that such changes do not affect such Person disproportionately as compared to such Person’s competitors), (B) changes affecting the industry generally in which such Person operates (provided that such changes do not affect such Person disproportionately as compared to such Person’s competitors) or (C) changes in GAAP (provided that such changes do not affect such Person disproportionately as compared to such Person’s competitors or (ii) adversely affects, or would reasonably be likely to adversely affect, such Person’s ability to perform or comply with the covenants, agreements or obligations of such Person herein or to consummate the Transactions in accordance with this Agreement and Applicable Law.
“Merger Consideration” means the Closing Cash Consideration (as adjusted pursuant to Section 1.6) plus the Closing Share Consideration plus the Aggregate Threshold Value.

“NYSE” means the New York Stock Exchange, any successor stock exchange operated by Intercontinental Exchange or any successor thereto.

“Order” means any judgment, writ, decree, stipulation, determination, decision, award, rule, preliminary or permanent injunction, temporary restraining order or other order.

“Outstanding Company Units” means the number of Company Units that are issued and outstanding immediately prior to the Effective Time.

“Parent Ordinary Shares” means the Class A ordinary shares, par value $0.04 per share, of Parent.

“Parent Share Price” means the volume-weighted average daily closing sales price of Parent Ordinary Shares as reported on the NYSE for the 15 consecutive trading days ending two trading days prior to the Closing Date.

“Permitted Encumbrances” means: (i) statutory liens for Taxes that are not yet due and payable or liens for Taxes being contested in good faith by any appropriate proceedings for which adequate reserves have been established, (ii) statutory liens to secure obligations to landlords, lessors or renters under leases or rental agreements, (iii) deposits or pledges made in connection with, or to secure payment of, workers’ compensation, unemployment insurance or similar programs mandated by Applicable Law, (iv) statutory liens in favor of carriers, warehousemen, mechanics and materialmen, to secure claims for labor, materials or supplies and other like liens, (v) liens in favor of customs and revenue authorities arising as a matter of Applicable Law to secure payments of customs duties in connection with the importation of goods and (vi) non-exclusive object code licenses of software by the Company in the ordinary course of business and consistent with past practice on its standard unmodified form of end user agreement (a copy of which has been made available to Acquirer).

“Person” means any natural person, company, corporation, limited liability company, general partnership, limited partnership, limited liability partnership, trust, estate, proprietorship, joint venture, business organization or Governmental Entity.

“Personal Guarantees” means the limited personal guarantees disclosed in Item 2 of Schedule 2.13 of the Company Disclosure Letter.

“Pre-Closing Tax Period” means any Tax period ending on or before the Closing Date, and, in the case of a Straddle Period, the portion of such Straddle Period ending on and including the Closing Date.

“Pre-Closing Taxes” means any (i) Taxes of the Company and the Company Subsidiaries with respect to a Pre-Closing Tax Period and (ii) Taxes of any other Person for which the Company or any Company Subsidiary is liable if the agreement, event or occurrence giving rise to such Liability occurred with respect to a Pre-Closing Tax Period. For clarity, Pre-Closing Taxes includes any payroll taxes of the Company and the Company Subsidiaries arising in connection with any payment required pursuant to, or arising as a result of, this Agreement or the Transactions, whether or not such Taxes are due and payable as of the Closing Date. In the case of any Taxes of the Company or any Company Subsidiary that are payable for a Taxable period that includes (but does not end on) the Closing Date (“Straddle Period”), such Taxes shall (i) in the case of property, ad valorem or other Taxes that accrue based upon the passage of time, be deemed to be Pre-Closing Taxes in an amount equal to the amount of such Taxes for the entire Taxable period multiplied by a fraction, the numerator of which is the number of days in the Taxable period through and including the Closing Date and the denominator of which is the number of days in the entire Taxable period, and (ii) in the case of any other Taxes, be deemed to be Pre-Closing Taxes in an amount equal to the amount of Taxes that would be payable if the relevant Taxable period ended on the Closing Date. Any credits relating to a Taxable period that includes (but does not end on) the Closing Date shall be taken into account as though the relevant Taxable period ended on the Closing Date.

“Pro Rata Share” means, with respect to a particular Converting Holder, a fraction, the numerator of which is the sum of (i) the aggregate amount of cash plus the (ii) product of (A) the Parent Share Price multiplied by (B) the aggregate number of Parent Ordinary Shares that such Converting Holder is entitled to be paid and issued, respectively, pursuant to Section 1.3(a) and the denominator of which is the sum of (i) the aggregate amount of cash plus the (ii) product of (A) the Parent Share Price multiplied by (B) the aggregate number of Parent Ordinary Shares that all Converting Holders are entitled to be paid and issued, respectively, pursuant to Section 1.3(a).
“Representatives” means, with respect to a Person, such Person’s officers, directors, managers, Affiliates, stockholders, members or employees, or any investment banker, attorney, accountant, auditor or other advisor or representative retained by any of them.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“SGNY” means SGNY1 LLC, a New York limited liability company.

“Subsidiary” means any corporation, partnership, limited liability company or other Person of which the Company, either alone or together with one or more Subsidiaries or by one or more other Subsidiaries (i) directly or indirectly owns or purports to own, beneficially or of record securities or other interests representing more than 50% of the outstanding equity, voting power, or financial interests of such Person or (ii) is entitled, by Contract or otherwise, to elect, appoint or designate directors constituting a majority of the members of such Person’s board of directors or other governing body.

“Tax” (and, with correlative meaning, “Taxes” and “Taxable”) means (i) any net income, alternative or add-on minimum tax, gross income, estimated, gross receipts, sales, use, ad valorem, value added, transfer, franchise, fringe benefit, capital stock, profits, license, registration, withholding, payroll, social security (or equivalent), employment, unemployment, disability, excise, severance, stamp, occupation, premium, property (real, tangible or intangible), environmental or windfall profit tax or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount (whether disputed or not) imposed by any Governmental Entity responsible for the imposition of any such tax (domestic or foreign) (each, a “Tax Authority”), (ii) any Liability for the payment of any amounts of the type described in clause (i) of this sentence as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate group and (iii) any Liability for the payment of any amounts of the type described in clause (i) or (ii) of this sentence as a result of being a transferee of or successor to any Person or as a result of any express or implied obligation to assume such Taxes or to indemnify any other Person.

“Tax Return” means any return, statement, report or form (including estimated Tax returns and reports, withholding Tax returns and reports, any schedule or attachment, information returns and reports and any amended return or claim for refund) filed or required to be filed with respect to Taxes.

“Threshold Value” has the meaning set forth in the Operating Agreement.

“Transaction Document” means, collectively, this Agreement and each other agreement or document referred to in this Agreement or to be executed in connection with any of the Transactions.

“Transaction Expenses” means all third-party fees, costs, expenses, payments and expenditures incurred by or on behalf of the Company in connection with the Merger, this Agreement and the Transactions, whether or not incurred, billed or accrued (including (i) any fees, costs, expenses, payments and expenditures of legal counsel and accountants, (ii) the maximum amount of fees, costs, expenses, payments and expenditures payable to brokers, finders, financial advisors, investment bankers or similar Persons notwithstanding any earn-outs, escrows or other contingencies, (iii) all bonuses or severance obligations owed by the Company to the Company’s officers, employees and/or consultants in connection with the Merger that are unpaid as of the Closing, and any amounts payable by the Company in order to obtain any Unit Waiver Agreements, including in each case including any employer-side payroll or other similar Taxes arising in connection therewith, and (iv) any such fees, costs, expenses, payments and expenditures incurred by Company Members paid for or to be paid for by the Company).

“Treasury Regulation” means the final or temporary regulations that have been promulgated under the Code by the U.S. Department of the Treasury.

“Unvested Company Units” means Company Units that are not vested under the terms of any Contract with the Company or subject to forfeiture or a right of repurchase by the Company.
Other capitalized terms used herein and not defined in this Exhibit A shall have the meanings assigned to such terms in the following Sections:

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<td>&quot;Ineligible Parent Ordinary Shares&quot;</td>
<td>1.3(f)</td>
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<td>&quot;Intellectual Property&quot;</td>
<td>2.10(a)(xvi)</td>
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<td>&quot;Intellectual Property Rights&quot;</td>
<td>2.10(a)(xv)</td>
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<tr>
<td>&quot;Investor Representation Letter&quot;</td>
<td>Recitals</td>
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<td>&quot;Joinder Agreement&quot;</td>
<td>Recitals</td>
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<td>&quot;Key Employee&quot;</td>
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<td>&quot;Material Contracts&quot;</td>
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<td>&quot;Voting Members&quot;</td>
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<td>&quot;Voting Member Approval&quot;</td>
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<td>&quot;WARN Act&quot;</td>
<td>2.12(n)</td>
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<tr>
<td>&quot;Written Consent&quot;</td>
<td>Recitals</td>
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EXHIBIT B

Form of Joinder Agreement

JOINDER AGREEMENT

This JOINDER AGREEMENT (this “Agreement”) is entered into as of __________, 201_, by and between Farfetch US Holdings, Inc., a Delaware corporation (“Acquirer”), and the undersigned members (each, solely as to himself, herself or itself, “Member”) of Stadium Enterprises LLC, a Delaware limited liability company (the “Company”), effective as to Member as of the date set forth on Member’s signature page hereto (such date, as to Member, the “Effective Date”). Terms not otherwise defined herein shall have the respective meanings ascribed to them in the Merger Agreement (as defined below). If the terms of this Agreement conflict in any way with the provisions of the Merger Agreement, then the provisions of the Merger Agreement shall control.

RECITALS

A. WHEREAS, the execution and delivery of this Agreement by Member is a material inducement to the willingness of Parent (as defined below), Acquirer and Merger Sub (as defined below) to enter into that certain Agreement and Plan of Merger, dated as of December 12, 2018 (as it may be amended from time to time in accordance with its terms, the “Merger Agreement”), by and among Acquirer, Yankee Merger Sub, LLC, a Delaware limited liability company and a wholly owned subsidiary of Acquirer (“Merger Sub”), the Company, the Members’ Agent, and, solely for the limited purposes set forth therein, Farfetch Limited, a Cayman limited company and the ultimate parent entity of Acquirer (“Parent”), pursuant to which Merger Sub will merge with and into the Company with the Company surviving such merger as a wholly owned subsidiary of Acquirer (the “Merger”).

B. WHEREAS, Member understands and acknowledges that each of the Company and its Subsidiaries, Merger Sub and Acquirer are entitled to rely on (i) the truth and accuracy of Member’s representations contained herein and (ii) Member’s performance of the obligations set forth herein.

NOW, THEREFORE, in consideration of the representations, warranties, covenants, agreements and obligations contained herein and in the Merger Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Restrictions on Units.

   (a) Member shall not, directly or indirectly, transfer (except as may be specifically required by court order or by operation of law), sell, exchange, pledge or otherwise dispose of or encumber any of the Units (as defined in Section 3), or enter into any agreement or other arrangement relating thereto, at any time prior to the Expiration Time (as defined below); provided that Member may (i) if Member is a partnership, limited liability company or corporation, distribute any of the Units to its partners, members and equity holders (as applicable), (ii) if Member is an individual, transfer any of the Units to any member of Member’s immediate family, or to a trust for the benefit of Member or any member of Member’s immediate family for estate planning purposes, and (iii) transfer any of the Units upon the death or dissolution of Member; provided, further, that any such transfer shall be permitted only if, as a condition to the effectiveness of such transfer, the transferee agrees in writing to be bound by all of the terms of this Agreement. As used herein, the term “Expiration Time” shall mean the earliest occurrence of (A) the Effective Time, (B) the date and time of the valid termination of the Merger Agreement in accordance with its terms and (C) such date and time designated by Acquirer in a written notice to Member.

   (b) Except pursuant to this Agreement, Member shall not, directly or indirectly, grant any proxies or powers of attorney with respect to any of the Units, deposit any of the Units into a voting trust or enter into a voting agreement or similar arrangement or commitment with respect to any of the Units.

   (c) Except as otherwise provided herein, Member shall not, in his, her or its capacity as a member of the Company, directly or indirectly, take any action that would make any representation or warranty contained herein untrue or incorrect or that would have the effect of impairing the ability of Member to perform his, her or its obligations under this Agreement or preventing or delaying the consummation of any of the Transactions or the transactions contemplated hereby or by the Voting Member Approval executed by the Voting Members.
(d) Any Company Units or other securities of the Company that Member purchases or with respect to which Member otherwise acquires beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) after the Effective Date and prior to the Expiration Time, including by reason of any unit split, unit dividend, reclassification, recapitalization or other similar transaction or pursuant to the exercise of options or warrants to purchase such units (collectively, the “New Units”) shall be subject to the terms and conditions of this Agreement to the same extent as if they comprised a portion of the Units and shall be deemed to be included in the Units for the purposes hereof.

2. Agreement to Vote Units. Prior to the Expiration Time, at every meeting of the members of the Company called with respect to any of the following matters, and at every adjournment or postponement thereof, and on every action or approval by written consent or resolution of the members of the Company with respect to any of the following matters, Member shall vote, to the extent Member holds voting Units, the Units (i) in favor of the approval of the Merger Agreement, the Merger and the other Transactions, and any other matter that is reasonably necessary to facilitate the consummation of the Merger and the other Transactions, (ii) against any Adverse Proposal (as defined below) and (iii) against any other matter that would reasonably be expected to prevent, impede, interfere with, delay, postpone or adversely affect the Merger or any of the Transactions; provided that nothing in this Agreement shall preclude Member from exercising full power and authority to vote the Units and any of the New Units (in each case, to the extent said Units or New Units are entitled to vote) in Member’s sole discretion for or against any proposal submitted to a vote of the Company Members to approve any matter relating to the declaration or payment or the making of any distributions in respect of the Equity Interests of the Company. For purposes of this Agreement, “Adverse Proposal” means (A) any Acquisition Proposal, (B) any amendment to the Company’s certificate of formation or Operating Agreement, (C) any material change in the capitalization of the Company or the Company’s structure or in the terms of any security of the Company, or otherwise obligating the Company to grant any security, or (D) any other matter that would reasonably be expected to impede, interfere with, delay, postpone, discourage or adversely affect the Merger or any of the other Transactions or transactions contemplated by this Agreement. Any such vote shall be cast (and each consent shall be given) by Member in accordance with such procedures relating thereto so as to ensure that it is duly counted, including for purposes of determining that a quorum is present and for purposes of recording the results of such vote or consent.

3. Representations, Warranties and Covenants of Member. Member hereby represents, warrants and covenants, as of the Effective Date, to Acquirer as follows:

(a) Member is the beneficial or record owner of, or exercises voting power over, that number of Company Units set forth on the signature page hereto (all such Company Units owned beneficially or of record by Member, or over which Member exercises voting power, on the Effective Date, collectively, the “Units”). The Units constitute Member’s entire interest in the outstanding membership interests of the Company and Member is not the beneficial or record holder of, and does not exercise voting power over, any other outstanding membership interests of the Company. Member has sole right to vote and execute member written consents (with respect to voting Units) and sole power of disposition and sole power to agree and to issue instructions with respect to all Units and the other matters contemplated herein, with no restrictions on Member’s right and powers of voting (with respect to voting Units) or disposition pertaining thereto and no person not a signatory to this Agreement has a beneficial interest in or a right to acquire or vote any of the Units (other than, if Member is a partnership or a limited liability company, the rights and interest of Persons that own partnership interests or units in Member under the partnership agreement or operating agreement governing Member and applicable partnership or limited liability company law, or if Member is a married individual and resides in a state with community property laws, the community property interest of his or her spouse to the extent applicable under such community property laws, which spouse hereby consents to this Agreement by executing the spousal consent attached hereto). The Units are and will be at all times up until the Expiration Time free and clear of any security interests, liens, claims, pledges, options, rights of first refusal, co-sale rights, agreements, limitations on Member’s voting rights (with respect to voting Units), charges and other encumbrances of any nature that could adversely affect the Merger, the Merger Agreement or the exercise or fulfillment of the rights and obligations of the Company, Acquirer, Merger Sub or Member under this Agreement or the Merger Agreement. Member’s principal residence or place of business is set forth on the signature page hereto.

(b) If Member is a corporation, limited partnership or limited liability company, Member is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, organized or constituted.
(e) Member has all requisite power, capacity and authority to enter into this Agreement and to perform his, her or its obligations under this Agreement and consummate the Transactions and the other transactions contemplated hereby. The execution and delivery of this Agreement by Member and the consummation by Member of the Transactions and the other transactions contemplated hereby have been duly authorized by all necessary action, if any, on the part of Member (or its board of directors or similar governing body, as applicable), and no other actions or proceedings on the part of Member are necessary to authorize the execution and delivery by Member of this Agreement and the consummation by Member of the Transactions and the other transactions contemplated hereby. This Agreement has been duly executed and delivered by Member and, assuming the due authorization, execution and delivery of this Agreement by Acquirer, constitutes a valid and binding obligation of Member, enforceable against Member in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors’ rights and remedies generally and to general principles of equity. 

(d) The execution and delivery of this Agreement does not, and the performance by Member of his, her or its agreements and obligations hereunder will not, conflict with, result in a breach or violation of or default under (with or without notice or lapse of time or both), or require notice to or the consent of any person under, any provisions of the organizational documents of Member (if applicable), or any agreement, commitment, law, rule, regulation, judgment, order or decree to which Member is a party or by which Member is, or any of its assets are, bound, except for such conflicts, breaches, violations or defaults that would not, individually or in the aggregate, prevent or delay consummation of the Merger, the Transactions and the other transactions contemplated by this Agreement or otherwise prevent or materially delay Member from performing his, her or its obligations under this Agreement. 

(e) Member acknowledges that Member has received a copy of the Merger Agreement and familiarized himself, herself or itself with the terms and conditions contained therein, including provisions relating to post-closing adjustments to the Merger Consideration and the payment and allocation of the consideration to be paid to the Converting Holders. Until the Expiration Time, Member (in his, her or its capacity as such) shall not take directly or indirectly any action prohibited by Section 5.2 of the Merger Agreement. In the event Member shall receive or become aware of any Acquisition Proposal following the Effective Date, Member shall promptly inform Acquirer as to any such matter and the details thereof. 

(f) By executing and delivering this Agreement, Member acknowledges and agrees to be bound by the escrow, adjustment and indemnification provisions set forth in Section 1.4, Section 1.6 and Article VIII of the Merger Agreement, including the indemnification obligations of Member contained therein, the withholding of the Cash Escrow Amount and the Expense Fund Amount and the creation of the Escrow Fund and the indemnification obligations of the Company Members in connection with the Merger as more fully described in the Merger Agreement, the appointment of the Members’ Agent to perform the functions on behalf of Member as set forth in the Merger Agreement, and the indemnification of the Members’ Agent in accordance with Section 8.7 of the Merger Agreement. Member further acknowledges and agrees that Member’s Pro Rata Share of the Escrow Fund Amount and the Expense Fund Amount, as contemplated by the Merger Agreement, shall be payable, if at all, pursuant to the terms and conditions of the Merger Agreement. 

(g) Member hereby agrees that, should it execute a Written Consent setting forth the resolutions required by the Merger Agreement (including the Voting Member Approval), Member shall not revoke or rescind such Written Consent or any resolution contained therein and further agrees not to adopt any resolutions rescinding or revoking such Written Consent or any resolution contained therein or otherwise precluding the approval of the Merger Agreement and the adoption of the Merger Agreement at any time prior to the Expiration Time. Member agrees that it will not bring, commence, institute, maintain, prosecute, participate in or voluntarily aid any Legal Proceeding, in any court or before any Governmental Entity, that challenges the validity of or seeks to enjoin the operation of any provision of such Written Consent (including the Voting Member Approval, or this Agreement or the execution and delivery of the Merger Agreement and the consummation of the Merger and the other Transactions provided for in the Merger Agreement).

(h) No broker, investment banker, financial advisor or other person (including Member) is entitled to any broker’s, finder’s, financial advisor’s or other similar fee or commission that is payable by the Company, Acquirer or any of their respective affiliates in connection with the Merger Agreement and the Transactions based upon arrangements made by or on behalf of Member.
(i) Member has had an opportunity to review with his, her or its own tax advisors the tax consequences of the Merger and the Transactions. Member understands that he, she or it must rely solely on his, her or its advisors and not on any statements or representations made by Acquirer, the Company or any of their agents or representatives. Member understands that Member (and not Acquirer, the Company or the Surviving Company) shall be responsible for Member’s tax liability that may arise as a result of the Merger or the Transactions.

4. Release and Waiver; Consent; Termination of Existing Agreements. Member’s share of the Merger Consideration represents the only consideration to be received by Member in exchange for the Company Units owned by Member. In exchange for such consideration and as a condition and inducement to the Company’s, Acquirer’s and Merger Sub’s willingness to enter into the Merger Agreement, Member, for himself, herself or itself and on behalf of his, her or its heirs, legal representatives, successors and assigns (collectively, the “Relevant Persons”), solely to the extent involving, or that may be asserted or exercised by Member in Member’s capacity as a member of the Company, and subject to and contingent upon the consummation of the Closing (as defined in the Merger Agreement), hereby irrevocably, unconditionally and forever acquires, releases, waives and discharges Acquirer, each of the Company and its Subsidiaries and Merger Sub, and each of their respective officers, directors, employees, agents, divisions, affiliated corporations, subsidiaries, Affiliates, managers affiliated non-corporation entities, representatives, successors, predecessors and assigns (individually and collectively, the “Released Parties”) from any and all past, present and future debts, losses, costs, accounts, reckonings, bills, sums of money, bonds, suits, actions, causes of action, liabilities, contributions, attorneys’ fees, interest, damages, punitive damages, expenses, controversies, covenants, Contracts, promises, judgments, Liabilities, claims, potential claims, counterclaims, cross-claims, or demands, in law or in equity, asserted or unasserted, express or implied, known or unknown, matured or unmatured, contingent or vested, liquidated or unliquidated, of any kind or nature or description whatsoever, that any of the Relevant Persons had, presently has or may hereafter have or claim or assert to have against any of the Released Parties by reason of any act, omission, transaction, occurrence, conduct, circumstance, condition, harm, matter, cause or thing that has occurred or existed at any time from the beginning of time up to and including the Effective Time, that in any way arise from or out of, are based upon or relate to (i) such Relevant Person’s or Relevant Persons’, as applicable, ownership or purported ownership of the Units, the New Units or other securities of the Company or any of its Subsidiaries, provided, however, that nothing contained herein shall operate to release any obligation, undertaking or covenants of any Released Party or right of the undersigned arising under the terms of the Merger Agreement or the other Transaction Documents, or the Merger (including the right to receive amounts payable to Member under the Merger Agreement) (the “Reserved Rights”), (ii) the allocation or adequacy of the consideration received by Member in the aggregate or in respect of any class of Company Units owned by Member or any of its Affiliates, or (iii) the negotiation or execution of this Agreement, the Merger Agreement or any of the other documents referenced in the Merger Agreement or the consummation of any of the Transactions, except for such Relevant Person’s or Relevant Persons’, as applicable, rights under the Merger Agreement and each agreement attached as an exhibit thereto or entered into in connection therewith (after taking into account such exceptions, the “Member Claims”).

Member hereby gives any consents or waivers that are reasonably required for the consummation of the Merger under the terms of any agreement or instrument to which Member is a party or subject or in respect of any rights Member may have in connection with the Merger or the other Transactions (whether such rights exist under the certificate of formation of the Company, the Operating Agreement, any Contract to which the Company is a party or by which it is, or any of its assets are, bound under statutory or common law or otherwise). Without limiting the generality or effect of the foregoing, and without limiting any of Members’ Reserved Rights and the rights below), Member hereby waives any and all rights to contest or object to the execution and delivery of the Merger Agreement, the Voting Members’ actions in approving and recommending the Merger, the consummation of the Merger and the other Transactions, or to the execution and delivery of a Written Consent and the granting of the Voting Member Approval, or to seek damages or other legal or equitable relief in connection therewith. Any and all existing agreements between the Company and Member (other than the Operating Agreement), including any investment agreement, unit purchase agreement, carve-out bonus plans, equity incentive plans, member agreements, registration rights agreements and any of the agreements specified in Exhibit A hereto, shall, contingent upon the occurrence of the Closing, automatically terminate and be of no force and effect effective immediately prior to the Effective Time (it being understood and agreed that the Operating Agreement is being amended and restated in its entirety, at the Effective Time, as set forth in Section 1.1(e)(ii) of the Merger Agreement), and Member hereby agrees to the waiver of any rights of first refusal, rights to any liquidation preference, preemptive rights, rights to notice, rights of co-sale, registration rights, information rights and similar rights of Member under any such agreements or otherwise. As of and subject to the Closing, Member, in his, her or its capacity as a member of the Company, will not be entitled to any indemnity, reimbursement or other similar rights from Acquirer, the Company or their respective subsidiaries, including by virtue of Member’s investment.
in the Company or any other Contract, and no obligation, liability or other circumstances shall exist at the Effective Time that give or may give rise to any liability of Acquirer, the Company or their respective subsidiaries to Member, other than as specifically set forth in the Merger Agreement, the other Transaction Documents and this Agreement. From and after the Effective Time, Member’s right to receive consideration on the terms and subject to the conditions set forth in the Merger Agreement shall constitute Member’s sole and exclusive right against the Company and/or Acquirer in respect of Member’s ownership of the Units and New Units or status as a member of the Company or any agreement or instrument with the Company pertaining to the Units and New Units or Member’s status as a member of the Company. For the avoidance of doubt, and notwithstanding anything to the contrary set forth in this Agreement, the release set forth above shall not extend to any of the following: (i) to the extent Member is an employee of the Company or its Subsidiary, any right to receive accrued but unpaid wages, salary, bonuses, accrued vacation and any other accrued but unpaid compensation and/or benefits owed to Member in its capacity as an employee or ex-employee in accordance with the terms of any Contract with the Company or its Subsidiary set forth on any of Schedules 2.16(a)(v) and/or 2.16(a)(vi) of the Company Disclosure Letter, and any right to receive the reimbursement of expenses incurred by Member in its capacity as an employee and in the ordinary course of his or her employment with the Company or its Subsidiary and which are reimbursable under the Company’s or its Subsidiary’s expense reimbursement policies; (ii) if Member is a party to, or is an express third party beneficiary of any Contract that is set forth on any of Schedules 2.16(a)(v) and/or 2.16(a)(vi) of the Company Disclosure Letter, the Merger Agreement or any other Transaction Document, the enforcement of, or exercise of any rights and remedies (if any) under any provisions thereof; (iii) any obligation, undertaking or covenants of any Released Party or any right of Member under the Merger Agreement or the other Transaction Documents (including the right to receive amounts payable to Member pursuant to and in accordance with the terms of the Merger Agreement); or (iv) if Member is an employee of the Company or any of its Subsidiaries, any employment rights that cannot be waived as a matter of applicable law.

5. **Confidentiality.** Member shall hold any information regarding this Agreement and the Merger in strict confidence and shall not divulge any such information to any third person until Acquirer has publicly disclosed the Merger; provided that Member may disclose such information (i) to his, her or its attorneys, accountants, consultants and other professionals to the extent necessary to obtain their services in connection with monitoring Member’s interests in the Company and Member’s rights under the Merger Agreement or other agreements entered into in connection with the Merger, including his, her or its rights to receive proceeds from the Merger (provided that such advisors are subject to substantially similar confidentiality provisions as the Company), (ii) to any existing Affiliate, partner, member, stockholder, parent or subsidiary of Member in the ordinary course of his, her or its business, provided that, in each case, Member informs the Person receiving the information that such information is confidential and such Person is subject to a written confidentiality obligation that is substantially similar to the provisions set forth in Section 5 of this Agreement and/or (iii) pursuant to an Order of a Governmental Entity or Applicable Law; provided, that, Member shall provide prompt advance notice of such Order or requirement of Applicable Law to Acquirer and shall cooperate with and, upon Acquirer’s request, shall provide reasonable assistance to Acquirer in connection with Acquirer’s efforts to obtain a protective order or otherwise prevent or restrict such disclosure. Neither Member, nor any of his, her or its Affiliates (other than the Company, whose actions shall be governed by the Merger Agreement), shall issue or cause the publication of any press release or other public announcement with respect to this Agreement, the Merger, the Merger Agreement, the other Transactions or the other transactions contemplated hereby without the prior written consent of Acquirer, except as may be required by Applicable Law, in which circumstance such announcing party shall make reasonable efforts to consult with Acquirer to the extent practicable.

6. **Agreement to Indemnification Provisions; Appointment of the Members’ Agent.** By executing and delivering this Agreement, Member acknowledges and agrees to be bound by the escrow and indemnification provisions set forth in the Merger Agreement, including the indemnification obligations of Member contained in Article VIII of the Merger Agreement, the withholding of the Cash Escrow Amount to be available to compensate Acquirer for Indemnifiable Damages in Article VIII of the Merger Agreement, if any, and the irrevocable nomination, appointment and constitution of the Members’ Agent as the Member’s agent and true and lawful attorney in fact, with the powers to take all actions and to perform the functions on behalf of Member, all as set forth in Article VIII in the Merger Agreement. Member further acknowledges and agrees that any proceeds from the Merger Consideration shall be payable, if at all, pursuant to the terms and conditions of the Merger Agreement. Member hereby expressly agrees that, in accordance with the Merger Agreement, an amount equal to Member’s Pro Rata Share of the Expense Fund shall be deducted from the Closing Cash Consideration otherwise payable to Member pursuant to the Merger Agreement and the Spreadsheet, and shall be held and used by the Members’ Agent in accordance with the terms and conditions of the Merger Agreement.
7. **Payment Instructions.** Member acknowledges and agrees that attached hereto as Exhibit B are true and correct payment instructions for Member’s receipt of the cash portion of the Merger Consideration (the “Payment Instructions”). Member has additionally executed and returned true and correct copies of a Substitute Form W-9, a form of which is attached hereto as Exhibit C, or a Form W-8BEN, a form of which is attached hereto as Exhibit D, as applicable.

8. **Miscellaneous.**

8.1 **Notices.** All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed given on (i) the date of delivery, if delivered personally or by commercial delivery service, or mailed by registered or certified mail (return receipt requested) or (ii) on the date of confirmation of receipt (or the next Business Day, if the date of confirmation of receipt is not a Business Day), if sent via facsimile or electronic mail (with automated confirmation of receipt, provided that the sender has received confirmation of receipt prior to 5:00 p.m. Eastern Time and, if sender has received confirmation of receipt after 5:00 p.m. Eastern Time, then notice shall be deemed given on the next Business Day) to the parties hereto at the following address (or at such other address for a party as shall be specified by like notice):

(i) if to Acquirer or Merger Sub, to:

Farfetch Limited  
The Bower, 211 Old Street  
London EC1V 9NR, United Kingdom  
Attention: Holly Sage, Head of Legal (Corporate/Commercial) Telephone No.: ###########  
Email: ###########

with a copy (which shall not constitute notice) to:

Fenwick & West LLP  
902 Broadway, Suite 14  
New York, NY 10010  
Attention: Ken S. Myers  
Telephone No.: ###########  
Email: ###########

(ii) if to Member, to the address set forth for Member on the signature page herof.

8.2 **Interpretation.** When a reference is made in this Agreement to sections or exhibits, such reference shall be to a section of or an exhibit to this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words “include,” “includes” and “including” when used herein shall be deemed in each case to be followed by the words “without limitation.” The phrases “the date of this Agreement,” “the date hereof,” and terms of similar import, unless the context otherwise requires, shall be deemed to refer to the date first above written. Where a reference is made to a Contract, instrument or Law, such reference is to such Contract, instrument or Law as amended, modified or supplemented, including (in the case of Contracts or instruments) by waiver or consent and (in the case of Law) by succession of comparable successor Law and references to all attachments thereto and instruments incorporated therein. Unless the context of this Agreement otherwise requires:

(i) words of any gender include each other gender and neutral forms of such words; (ii) words using the singular or plural number also include the plural or singular number, respectively; (iii) the terms “hereof,” “herein,” “hereto,” “hereunder” and derivative or similar words refer to this entire Agreement; (iv) references to clauses without a cross-reference to a Section or subsection are references to clauses within the same Section or, if more specific, subsection; (v) references to any person include the successors and permitted assigns of that person; (vi) references from or through any date shall mean, unless otherwise specified, from and including or through and including, respectively; and (vi) the phrases “provide to” and “deliver to” and phrases of similar import mean that a true, correct and complete paper or electronic copy of the information or material referred to has been delivered to the party to whom such information or material is to be provided and references to a Person are also to its permitted successors and assigns.
8.3 Specified Performance; Injunctive Relief . The parties hereto acknowledge that Acquirer will be irreparably harmed and that there will be no adequate remedy at law for a violation of any of the covenants or agreements of Member set forth herein. Therefore, it is agreed that, in addition to any other remedies that may be available to Acquirer upon such violation of this Agreement, Acquirer shall have the right to enforce such covenants and agreements by specific performance, injunctive relief or by any other means available to Acquirer at law or in equity and Member hereby waives any and all defenses that could exist in its favor in connection with such enforcement and waives any requirement for the security or posting of any bond in connection with such enforcement.

8.4 Counterparts . This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same instrument and shall become effective as to Acquirer and Member on the Effective Date when one or more counterparts have been signed by each of the parties and delivered to the other parties hereto; it being understood that all parties need not sign the same counterpart. The delivery by facsimile or by electronic delivery in PDF format of this Agreement with all executed signature pages (in counterparts or otherwise) shall be sufficient to bind the parties hereto to the terms and conditions set forth herein. All of the counterparts will together constitute one and the same instrument and each counterpart will constitute an original of this Agreement.

8.5 Entire Agreement; Nonassignability; Parties in Interest; Death or Incapacity . This Agreement and the documents and instruments and other agreements specifically referred to herein or delivered pursuant hereto (including, for the avoidance of doubt, the Merger Agreement and the other Transaction Documents referenced herein) (i) constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and (ii) are not intended to confer, and shall not be construed as conferring, upon any person other than the parties hereto any rights or remedies hereunder. Except as provided in Section 1(a), neither this Agreement nor any of the rights, interests, or obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise, by Member without the prior written consent of Acquirer, and any such assignment or delegation that is not consented to shall be null and void. This Agreement, together with any rights, interests or obligations of Acquirer hereunder, may be assigned or delegated in whole or in part by Acquirer to any direct or indirect wholly owned subsidiary of Acquirer; without the consent of or any action by Member upon notice by Acquirer to Member as provided herein; provided that Acquirer shall remain liable for all of its obligations under this Agreement. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and assigns (including any person to whom any Units or New Units are sold, transferred or assigned). All authority conferred herein shall survive the death or incapacity of Member and in the event of Member’s death or incapacity, any obligation of Member hereunder shall be binding upon the heirs, personal representatives, successors and assigns of Member.

8.6 Severability . In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement shall continue in full force and effect and the application of such provision to other persons or circumstances shall be interpreted so as reasonably to effect the intent of the parties hereto. The parties hereto further agree to use their commercially reasonable efforts to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that shall achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

8.7 Remedies Cumulative . Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party hereto shall be deemed cumulative (but without duplication) with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party hereto of any one remedy shall not preclude the exercise of any other remedy and nothing herein shall be deemed a waiver by any party hereto of any right to specific performance or injunctive relief. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which they are entitled at law or in equity, and the parties hereto hereby waive the requirement of any posting of a bond in connection with the remedies described herein.

8.8 Governing Law . This Agreement, all acts and transactions pursuant hereto and all obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of Delaware without reference to such state’s principles of conflicts of law that would refer a matter to a different jurisdiction. Subject to the foregoing, the parties hereto hereby irrevocably submit to the exclusive jurisdiction of the courts of the State of New York and the Federal courts of the United States of America located in the State of
New York, the place where this Agreement was entered and is to be performed, in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to herein, and in respect of the Transactions, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or thereof, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a New York State or Federal court. The parties hereto hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 8.1 or in such other manner as may be permitted by Applicable Law, shall be valid and sufficient service thereof. With respect to any particular action, suit or proceeding, venue shall lie solely in the County of New York, New York. A party hereto may apply either to a court of competent jurisdiction or to an arbitrator, if one has been appointed, for prejudgment remedies and emergency relief pending final determination of a claim pursuant to this Section 8.8. The appointment of an arbitrator does not preclude a party hereto from seeking prejudgment remedies and emergency relief from a court of competent jurisdiction.

8.9 Termination. This Agreement shall terminate and shall have no further force or effect from and after the Expiration Time, and thereafter there shall be no liability or obligation on the part of Member, provided that if the Closing occurs, the provisions of Section 2 (Agreement to Vote Shares), Section 3 (Representations, Warranties, and Covenants of Member), Section 4 (Release and Waiver; Consent; Termination of Existing Agreements), Section 5 (Confidentiality), Section 6 (Agreement to Indemnification Provisions; Appointment of the Members’ Agent), Section 7 (Payment Instructions), and this Section 8 (Miscellaneous) shall remain in full force and effect and survive any termination of this Agreement; provided, further, that no such termination shall relieve any party from liability for any willful breach of this Agreement prior to such termination.

8.10 Amendment, Extension; Waiver. Subject to Applicable Law, the parties hereto may amend this Agreement by authorized action at any time pursuant to an instrument in writing signed on behalf of each of the parties hereto; provided that after the Voting Member Approval is obtained, no amendment shall be made to this Agreement that by Applicable Law requires further approval by Member without such further approval. To the extent permitted by Applicable Law, Acquirer and Member may cause this Agreement to be amended at any time after the Closing by execution of an instrument in writing signed on behalf of Acquirer and Member. At any time at or prior to the Closing, any party hereto may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto owed to such party, (ii) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto and (iii) waive any breaches of any of the covenants, agreements, obligations or conditions for the benefit of such party contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing that is signed on behalf of Acquirer and Member. Without limiting the generality or effect of the preceding sentence, no failure to exercise or delay in exercising any right under this Agreement shall constitute a waiver of such right, and no waiver of any breach or default shall be deemed a waiver of any other breach or default of the same or any other provision herein.

8.11 Rules of Construction. The parties hereto agree that they have been (or have had the opportunity to be) represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document shall be construed against the party drafting such agreement or document.

8.12 Additional Documents, Etc. Member shall execute and deliver any additional documents necessary or desirable, in the reasonable opinion of Acquirer, to carry out the purpose and intent of this Agreement. Without limiting the generality or effect of the foregoing or any other obligation of Member hereunder, Member hereby authorizes Acquirer to deliver a copy of this Agreement to the Company and hereby agrees that each of the Company and Acquirer may rely upon such delivery as conclusively evidencing the consents, waivers and terminations of Member referred to in Section 4, in each case for purposes of all agreements and instruments to which such elections, consents, waivers and/or terminations are applicable or relevant.
8.13 **WAIVER OF JURY TRIAL.** THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NEGOTIATION, VALIDITY OR PERFORMANCE OF THIS AGREEMENT OR THE TRANSACTIONS. EACH OF THE PARTIES HERETO HEREBY ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.13.

8.14 **Acknowledgements.** Each party to this Agreement acknowledges that (a) Fenwick & West LLP ("F&W"), counsel for Acquirer and Merger Sub, represented Acquirer and Merger Sub in connection with this Agreement, the Merger and the other Transactions, (b) F&W has not represented Member in connection with this Agreement, the Merger or otherwise and (c) Member acknowledges that he, she or it has had the opportunity to consult with his, her or its own counsel.

8.15 Nothing herein shall limit or affect the Company’s rights in connection with the Merger Agreement.

[Signature Page Follows]
IN WITNESS WHEREOF, the parties hereto have caused this Joinder Agreement to be executed as of the date first above written.

FARFETCH US HOLDINGS, INC.:

By:  
Name:  
Title:  

MEMBER:

(Print Name of Member)  
(Signature)  
(Print name and title if signing on behalf of an entity)  
(Print Address)  
(Print Address)  
(Print Telephone Number)  

Units beneficially owned and/or owned of record on the date hereof:

__________________________ shares of Company Class A Units  
__________________________ shares of Company Class B Units  
__________________________ shares of Company Class C Units  
__________________________ shares of Company Class D Units
JOINDER AGREEMENT

SPOUSAL CONSENT

I ______________________, spouse of ______________________, having the legal capacity, power and authority to do so, hereby confirm that I have read and approve the Joinder Agreement (the “Agreement”) and the written consent of the holders of voting Company membership interests (the “Voting Member Approval”). In consideration of the terms and conditions as set forth in the Agreement and the matters set forth in the Voting Member Approval, I hereby appoint my spouse as my attorney in fact with respect to the exercise of any rights and obligations under the Agreement and the Voting Member Approval, and agree to be bound by the provisions of the Agreement and the Voting Member Approval insofar as I may have any rights or obligations in the Agreement or in the Voting Member Approval under the community property laws of the state of our residence or similar laws relating to marital or community property in effect in the state of our residence as of the date of the Agreement or the Voting Member Approval.

Date: __________________________
Signature of Spouse: __________________________
Printed Name of Spouse: __________________________
EXHIBIT A

AGREEMENTS TO BE TERMINATED

1. Letter Agreement, dated November 3, 2016, by and among the Company, SM Ventures I LLC and TCG Digital LLC.
2. Letter Agreement, dated December 13, 2016, by and between the Company and Forerunner II SG Holdings Corp.

1Note to Draft: List subject to completion of disclosure schedule process.
EXHIBIT B
PAYMENT INSTRUCTIONS

The instructions accompanying the Payment Instructions should be read carefully before the Payment Instructions are completed. If units are registered in different names, separate Payment Instructions must be submitted for each different registered owner.

<table>
<thead>
<tr>
<th>DESCRIPTION OF UNITS SURRENDERED</th>
<th>Name and Address of Seller of Units</th>
<th>Number of Units Held</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Member Instructions to Farfetch US Holdings, Inc.: Please issue and deliver the cash portion of the Merger Consideration in payment for the Units described in the Payment Instructions to the undersigned at the address specified above unless otherwise indicated under Special Delivery Instructions below.

<table>
<thead>
<tr>
<th>WIRE TRANSFER INSTRUCTIONS</th>
<th>SPECIAL DELIVERY INSTRUCTIONS (See Instruction 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To be completed if the cash portion of the Merger Consideration is to be paid by wire transfer instead of by check. Note that the recipient financial institution may charge a fee for each incoming wire.</td>
<td>To be completed ONLY if the cash portion of the Merger Consideration to be paid for the Units, paid in the name of the undersigned, is to be sent to someone other than the undersigned or to the undersigned at an address other than the name appearing above.</td>
</tr>
<tr>
<td>Bank Name:</td>
<td>Name: (Please Print)</td>
</tr>
<tr>
<td>Bank Address:</td>
<td>Address:</td>
</tr>
<tr>
<td>ABA No</td>
<td></td>
</tr>
<tr>
<td>Account Name:</td>
<td></td>
</tr>
<tr>
<td>Account No.:</td>
<td></td>
</tr>
<tr>
<td>Reference:</td>
<td></td>
</tr>
</tbody>
</table>
SIGN HERE AND COMPLETE ACCOMPANYING SUBSTITUTE FORM W-9

<table>
<thead>
<tr>
<th>Signature:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature:</td>
</tr>
<tr>
<td>(Signature(s) of Member(s))</td>
</tr>
<tr>
<td>(See guarantee requirement below)</td>
</tr>
</tbody>
</table>

Dated:                                                                 
(Must be signed by registered holder(s) exactly as name(s) appear(s) in the Company’s records.)

If signature is by an officer on behalf of a corporation or by an executor, administrator, trustee, guardian, attorney, agent or any other person acting in a fiduciary or representative capacity, please provide the following information.)

Name(s):                                                                 
(Please Print)

Capacity (full title):                                                   

Address:                                                                 

PLEASE ALSO COMPLETE THE SUBSTITUTE FORM W-9
SIGNATURES, UNIT POWERS AND ENDORSEMENTS. In case of endorsements or signatures by attorneys, executors, administrators, trustees, guardians, agents or others acting in a fiduciary or representative capacity, the Payment Instructions must be accompanied by evidence satisfactory to Acquirer of the authority of the person to make the endorsement or to sign, together with all supporting documents necessary to validate the surrender. If the Units are surrendered by two or more joint holders or owners, all such persons must sign. If the Units are registered in different names, it will be necessary to fill in, sign and submit as many separate Payment Instructions as there are different registrations of the Units surrendered.

VALIDITY OF SURRENDER, IRREGULARITIES. All questions as to validity, form and eligibility of any surrender of the Units will be determined by Acquirer. Acquirer reserves the right to waive any irregularities or defects in the surrender of any Units. A surrender will not be deemed to have been made until all irregularities have been cured or waived by Acquirer.

SPECIAL DELIVERY INSTRUCTIONS. If the cash portion of the Merger Consideration paid in exchange for the Units is made by check payable to a different name and mailed to a different address from the name or address of the person(s) signing the Payment Instructions, fill out the box above, entitled “SPECIAL DELIVERY INSTRUCTIONS”.

PAYMENT INSTRUCTIONS REQUIRED. Company Members will not receive the payment for their Units (subject to any agreement between such holders and Acquirer entered into in connection with the Agreement) unless and until the Payment Instructions, duly completed and signed, are delivered to Purchaser, together with any required accompanying evidence of authority in form approved by Acquirer, which approval will not be unreasonably withheld.

CHANGE OF ADDRESS. It is the responsibility of the registered owner to notify Acquirer, in writing, by mail or hand delivery to Acquirer at the address shown in Section 8.1 of the Joinder Agreement, if the address of the registered owner changes subsequent to the delivery of the Payment Instructions.

SUBSTITUTE FORM W-9. Under federal income tax law, each holder of the Units is required to provide a correct taxpayer identification number (“TIN”) on Substitute Form W-9, which is attached to the Joinder Agreement as Exhibit C, or its equivalent. If the unitholder is an individual, the TIN is his social security number and if unitholder is an entity, then its TIN is its employer identification number. If Acquirer is not provided with the correct TIN, such holder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such holder pursuant to the Merger Agreement may be subject to 28 percent federal income tax withholding on the payments made to the holder or other payee with respect to the Units surrendered. Failure to comply truthfully with the backup withholding requirements also may result in the imposition of criminal and/or civil fines and penalties.

Surrendering holders who are subject to backup withholding must cross out item (2) of Part 2 of Substitute Form W-9. The box in Part 3 of the form may be checked if such holder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 3 is checked and Purchaser is not provided with a TIN within sixty days, thereafter Purchaser will withhold 28 percent on all payments of the transaction consideration until a TIN is provided to Purchaser.

Certain holders of the Units (including, among others, corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, that holder must submit a properly completed Internal Revenue Service Form W-8 BEN, signed under penalty of perjury, attesting to such holder’s exempt status. A Form W-8 BEN is attached to the Joinder Agreement as Exhibit D.

If backup withholding applies, Acquirer is required to withhold 28 percent of any payments made to the holder. Backup withholding is not an additional tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

To prevent backup withholding on payments that are made to a holder pursuant to the Merger Agreement, the holder is required to notify Acquirer of its TIN by completing the form below certifying that the TIN provided on Substitute Form W-9 is correct (or that such holder is awaiting a TIN), that the holder is a U.S. person (which includes (i) an individual who is a citizen or resident of the United States, (ii) a partnership, corporation, company, or association created or organized in the United States or under the laws of the United States, and (iii) any estate (other than a foreign estate) or trust) and that (a) the holder has not been notified by the Internal Revenue Service that he is subject to backup withholding as a result of failure to report all interest or dividends, or (b) the Internal Revenue Service has notified the holder that he is no longer subject to backup withholding.
EXHIBIT C
SUBSTITUTE FORM W-9

(See Attached)
SUBSTITUTE FORM W-9

Department of the Treasury Internal Revenue Department

Part 1 - PLEASE PROVIDE YOUR TIN IN THE BOX AT THE RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.

Social Security Number(s) or Employer Identification Number(s)

Part 2 - Certification:

Under penalties of perjury, I certify that:

(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me), and

(2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and

(3) I am a U.S. Person (including a U.S. resident alien).

Part 3 - Payer’s Request for Taxpayer’s Identification Number (“TIN”)

Awaiting TIN

Certification Instructions- You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you receive another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

Signature: Date:

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 28 PERCENT OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE MERGER AGREEMENT.

Payer’s Request for Taxpayer’s Identification Number (“TIN”)

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalty of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office, or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number within 60 days, 28 percent of all reportable payments made to me thereafter will be withheld until I provide a number.

Signature Date
**Guidelines for Determining the Proper Identification Number to Give the Payer** — Social Security Numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employer Identification Numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer.

<table>
<thead>
<tr>
<th>For this type of account:</th>
<th>Give the SOCIAL SECURITY number of</th>
<th>For this type of account:</th>
<th>Give the EMPLOYER IDENTIFICATION number of</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. An individual’s account</td>
<td>The individual</td>
<td>8. Sole proprietorship account</td>
<td>The owner (4)</td>
</tr>
<tr>
<td>2. Two or more individuals (joint account)</td>
<td>The actual owner of the account or, if combined funds, the first individual on the account (1)</td>
<td>9. A valid trust, estate or pension trust</td>
<td>The legal entity (5)</td>
</tr>
<tr>
<td>3. Husband and wife (joint account)</td>
<td>The actual owner of the account or, if joint funds, the first individual on the account (1)</td>
<td>10. Corporate account</td>
<td>The corporation</td>
</tr>
<tr>
<td>4. Custodian account of a minor (Uniform Gift to Minors Act)</td>
<td>The minor (2)</td>
<td>11. Religious, charitable, or educational organization account</td>
<td>The organization</td>
</tr>
<tr>
<td>5. Adult and minor (joint account)</td>
<td>The adult or, if the minor is the only contributor, the minor (1)</td>
<td>12. Partnership account held in the name of the business</td>
<td>The partnership</td>
</tr>
<tr>
<td>6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person</td>
<td>The ward, minor, or incompetent person (3)</td>
<td>13. Association, club, or other tax-exempt organization</td>
<td>The organization</td>
</tr>
<tr>
<td>7. a. The usual revocable savings trust account (grantor is also trustee)</td>
<td>The grantor-trustee (1)</td>
<td>14. A broker or registered nominee</td>
<td>The broker or nominee</td>
</tr>
<tr>
<td></td>
<td>b. So-called trust account that is not a legal or valid trust under state law</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person’s number must be furnished.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Circle the minor’s name and furnish the minor’s social security number.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Circle the ward’s, minor’s or incompetent person’s name and furnish such person’s social security number.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) You must show your individual name, but you may also enter your business or “doing business as” name. You may use either your social security number or employer identification number (if you have one).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) List first and circle the name of the legal trust, estate, or pension trust. Do not furnish the taxpayer identification number of the personal representative or trustee unless the legal entity itself is not designated in the account title.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.
EXHIBIT D

FORM W-8BEN

Certification of Foreign Status of Beneficial Owner for United States Tax Withholding

(See Attached)
Certificate of Foreign Status of Beneficial Owner 
for United States Tax Withholding

Do not use this form for:
• A U.S. citizen or other U.S. person, including a resident alien individual
• A person claiming that income is effectively connected with the conduct of a trade or business in the United States
• A foreign partnership, a foreign simple trust, or a foreign grantor trust (see instructions for exceptions)
• A foreign government, international organization, central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession that received effectively connected income or that is claiming the applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b) (see instructions)

Instead, use Form: W-9
W-8ECI or W-8IMY
W-8ECI or W-8EXP

Note: These entities should use Form W-8BEN if they are claiming treaty benefits or are providing the form only to claim they are a foreign person exempt from backup withholding

Note: See instructions for additional exceptions

Part I
Identification of Beneficial Owner (See instructions.)

1. Name of individual or organization that is the beneficial owner
2. Country of Incorporation or organization

3. Type of beneficial owner
   - Individual
   - Corporation
   - Disregarded entity
   - Partnership
   - Simple trust
   - Grantor
   - Complex trust
   - Estate
   - Government
   - International organization
   - Central bank of issue
   - Tax-exempt organization
   - Private foundation

4. Permanent residence address (street, apt. or suite no., or rural route) Do not use a P.O. box or in-care of address
   City or town, state or province. Include postal code where appropriate.

5. Mailing address (if different from above)
   City or town, state or province Include postal code where appropriate.

6. U.S. taxpayer identification number, if required (see instructions)
   - SSN or ITIN
   - EIN

7. Foreign tax identifying number, if any (optional)

8. Reference number(s) (see instructions)

Part II
Claim of Tax Treaty Benefits (if applicable)

9. I certify that (check all that apply):
   a. The beneficial owner is a resident of _______ within the meaning of the income tax treaty between the United States and that country.
   b. If required, the U.S. taxpayer identification number is stated on line 6 (see instructions)
   c. The beneficial owner is not an individual, derives the item (or items) of income for which the treaty benefits are claimed, and, if applicable, meets the requirements of the treaty article dealing with limitation on benefits (see instructions)
   d. The beneficial owner is not an individual, claiming treaty benefits for dividends received from a foreign corporation or interest from a U.S. trade or business of a foreign corporation, and meets qualified resident status (see instructions)
   e. The beneficial owner is related to the person obligated to pay the income within the meaning of section 267(b) or 707(b), and will file Form 8833 if the amount subject to withholding received during a calendar year exceeds, in the aggregate, $50,000.

10. Special rates and conditions (if applicable — see instructions): The beneficial owner is claiming the provisions of Article _______ of the treaty identified on the line 9a above to claim a _____% rate of withholding on (specify type of income): Explain the reasons the beneficial owner meets the terms of the treaty article:_______

Part III
Notional principal Contracts

11. I have provided or will provide a statement that identifies those notional principal contracts from which the income is not effectively connected with the conduct of a trade or business in the United States. I agree to update this statement as required.

Part IV
Certification

Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. I further certify under penalties of perjury that:
1. I am the beneficial owner (or am authorized to sign for the beneficial owner) of all the income to which this form relates,
2. The beneficial owner is not a U.S. person,
3. The income to which this form relates is (a) not effectively connected with the conduct of a trade or business in the United States, (b) effectively connected but is not subject to tax under an income tax treaty, or (c) the partner’s share of a partnership’s effectively connected income, and
4. For broker transactions or barter exchanges, the beneficial owner is an exempt foreign person as defined in the instructions.
Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income of which I am the beneficial owner.

Signature of beneficial owner (or individual authorized to sign for beneficial owner) Date (MM-DD-YYYY) Capacity in which acting
Final Form

Exhibit C
Form of Investor Representation Letter

__________, 201_

Farfetch Limited
The Bower, 211 Old Street
London EC1V 9NR, United Kingdom

Attn: Holly Sage, Head of Legal (Corporate/Commercial)

Re: Investor Representation Letter

Ladies and Gentlemen:

The undersigned ("Converting Holder") is a holder of membership interests of Stadium Enterprises LLC, a Delaware limited liability company (the “Company”) Pursuant to that certain Agreement and Plan of Merger, dated December 12, 2018 (as it may be amended from time to time in accordance with its terms, the “Merger Agreement”), by and among Farfetch US Holdings, Inc., a Delaware corporation (“Acquirer”), Yankee Merger Sub, LLC, a Delaware limited liability company and a wholly owned subsidiary of Acquirer, the Company, Jed Stiller, solely in his capacity as the Members’ Agent, and, solely for the limited purposes set forth therein, Farfetch Ltd., a Cayman limited company and the ultimate parent entity of Acquirer (“Parent”), Merger Sub will merge with and into the Company with the Company surviving such merger as a wholly owned subsidiary of Acquirer (the “Merger”) Capitalized terms used in this letter (this “Investor Representation Letter”) and not otherwise defined herein shall have the same meanings ascribed to such terms in the Merger Agreement.

Upon the closing of the Merger (the “Closing”, and the date of such Closing, the “Closing Date”), all of the Company Units held by Converting Holder shall be cancelled and automatically converted into the right to receive a certain amount of cash and a certain number of Class A ordinary shares, par value $0.04 per share, of Parent (the total number of shares of Parent ordinary shares to be issued, the “Merger Shares”), subject to and in accordance with the terms of the Merger Agreement, in a private placement effected in reliance on the exemption from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), provided by Section 4(2) of the Securities Act and/or Regulation D promulgated under the Securities Act, and exemptions from the qualification requirements of applicable state law. The undersigned acknowledges and agrees that Acquirer is relying on the truth and accuracy of the representations and warranties made by Converting Holder in this Investor Representation Letter in order to rely on the exemptions described above. In addition, it is a condition to the Closing that the undersigned enters into and delivers this Investor Representation Letter.

1. REPRESENTATIONS, WARRANTIES AND CERTAIN AGREEMENTS OF CONVERTING HOLDER. Converting Holder hereby makes the following representations, warranties and agreements to Acquirer, each of which representations and warranties is true and correct as to Converting Holder as of the date hereof and will be true and correct on and as of the Closing Date as if made on the Closing Date.

1.1 Investment Representation Authorization Letter. This Investor Representation Letter constitutes Converting Holder’s valid and legally binding obligation, enforceable against Converting Holder in accordance with its terms, except as may be limited by (a) applicable bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting the enforcement of creditors’ rights generally or (b) the effect of rules of law governing the availability of equitable remedies.

1.2 Acquisition for Own Account. The Merger Shares to be acquired by Converting Holder pursuant to the Merger Agreement will be acquired for investment for Converting Holder’s own account, not as a nominee or agent, and not with a view to the public resale or distribution thereof within the meaning of the Securities Act, and Converting Holder has no present intention of selling, granting any participation in, or otherwise distributing the same.

1.3 No Solicitation. At no time was Converting Holder presented with or solicited by any publicly issued or circulated newspaper, mail, radio, television or other form of general advertising or solicitation in connection with the offer, sale and purchase of the Merger Shares by Acquirer or its agents.
1.4 Accredited Investor. Converting Holder is either an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act or has appointed a purchaser representative (as defined in Rule 501(h) of Regulation D promulgated under the Securities Act.)

1.5 Disclosure of Information. Converting Holder has received or has had full access to all the information Converting Holder considers necessary or appropriate to make an informed investment decision with respect to the Merger Shares. Converting Holder further has had an opportunity to ask questions and receive answers from Acquirer regarding the terms and conditions of the offering of the Merger Shares and to obtain additional information (to the extent Acquirer possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Converting Holder or to which Converting Holder had access.

1.6 Understanding of Risks. Converting Holder is fully aware of: (a) the highly speculative nature of the Merger Shares, (b) the financial hazards involved, (c) the lack of liquidity of the Merger Shares and the restrictions described in Section 1.11 below (the “Contractual Restrictions”) (which, for example, may prevent Converting Holder from being able to sell or dispose of the Merger Shares or use the Merger Shares as collateral for loans), (d) the qualifications and backgrounds of the management of Acquirer and (e) the tax consequences of acquiring the Merger Shares.

1.7 Converting Holder’s Qualifications. Converting Holder either alone or with his purchaser representative(s) (as defined in Rule 501(h) of Regulation D promulgated under the Securities Act), has such knowledge and experience in financial and business matters that Converting Holder is capable of evaluating the merits and risks of this prospective investment, has the capacity to protect Converting Holder’s own interests in connection with this transaction, and is financially capable of bearing a total loss of the Merger Shares.

1.8 Compliance with Securities Laws. Converting Holder understands and acknowledges that, in reliance upon the representations and warranties made by Converting Holder herein, the Merger Shares are not being registered with the Securities and Exchange Commission (“SEC”) under the Securities Act or being qualified under the California Corporate Securities Law of 1968, as amended (the “Law”), but instead are being transferred under an exemption or exemptions from the registration and qualification requirements of the Securities Act and the Law or other applicable securities laws which impose certain restrictions on Converting Holder’s ability to transfer the Merger Shares.

1.9 Restricted Securities. Subject to Section 1.11 below, Converting Holder agrees not to make any disposition of all or any portion of the Merger Shares unless and until (a) there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement, or (b) Converting Holder shall have furnished Acquirer with an opinion of counsel, in a form satisfactory to Acquirer, that such disposition will not require registration of the Merger Shares under the Securities Act and otherwise complies with applicable state and international securities laws; provided that no such registration statement or opinion shall be required for (i) dispositions effected under Rule 144 promulgated under the Act, (ii) any transfer by a Converting Holder that is a partnership, limited liability company or a corporation to (A) a partner of such partnership, member of such limited liability company or stockholder of such corporation, (B) a controlled affiliate of such partnership, limited liability company or corporation, (C) a retired partner of such partnership or retired member of such limited liability company or (D) the estate of any such partner, member or stockholder or (iii) the transfer by gift, will or intestate succession by Converting Holder to his or her spouse or lineal descendants or ancestors or any trust for any of the foregoing, in each case without additional consideration (each, a “Permitted Transferee”); provided, further, that the Converting Holder executes and delivers to Acquirer a written certificate attesting that the Permitted Transferee qualifies as a Permitted Transferee pursuant to this Section 1.9 and the Permitted Transferee agrees in writing to be subject to the terms of this Section 1.9 to the same extent as if such Permitted Transferee were an original Converting Holder hereunder. Converting Holder has been advised by Acquirer that only Acquirer may file a registration statement with the SEC or the California Commissioner of Corporations or other applicable securities commissioners and that Acquirer is under no obligation to do so with respect to the Merger Shares. Converting Holder has also been advised by Acquirer that exemptions from registration and qualification may not be available or may not permit Converting Holder to transfer all or any of the Merger Shares in the amounts or at the times proposed by Converting Holder.

1.10 Rule 144. Converting Holder acknowledges that, because the Merger Shares have not been registered under the Securities Act, the Merger Shares must be held indefinitely unless subsequently registered under the Securities Act or unless an exemption from such registration is available. Converting Holder is aware of the provisions of Rule 144 promulgated under the Securities Act.
1.11 **Contractual Restrictions; Lock-up Period**

(a) [Converting Holder acknowledges and agrees that he, she or it shall be bound by and comply with the right of repurchase described in that certain Share Restriction Agreement between Converting Holder and Acquirer dated on or about the date hereof (the “Share Restriction Agreement”)]

(b) Converting Holder agrees that during the period beginning on the date the Merger Shares are issued to Converting Holder and continuing to and including March 19, 2019 (the “Lock-up Period”), Converting Holder will not offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any Merger Shares or any options or warrants to purchase any Merger Shares, or any securities convertible into, exchangeable for or that represent the right to receive Merger Shares, whether now owned or hereafter acquired, owned directly by Converting Holder (including holding as a custodian) or with respect to which Converting Holder has beneficial ownership within the rules of the SEC (collectively, “Converting Holder’s Shares”), or make any public announcement during the Lock-up Period of its intention to enter into any such transaction. The foregoing restriction is expressly agreed to preclude Converting Holder from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Converting Holder’s Shares even if such Converting Holder’s Shares would be disposed of by someone other than Converting Holder. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Converting Holder’s Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Converting Holder’s Shares. Notwithstanding the foregoing, Converting Holder may transfer the Converting Holder’s Shares:

1. Note to draft: Applicable only to the Key Employees.

   (i) as a bona fide gift or gifts;

   (ii) to any beneficiary of Converting Holder pursuant to a will, other testamentary document or intestate succession to the legal representatives, heirs, beneficiary or immediate family member of the undersigned;

   (iii) to any trust, partnership, limited liability company or other entity for the direct or indirect benefit of Converting Holder or the immediate family of Converting Holder;

   (iv) to any immediate family member or other dependent;

   (v) as a distribution to limited partners, members or stockholders of the undersigned;

   (vi) to Converting Holder’s affiliates or to any investment fund or other entity controlled or managed by Converting Holder;

   (vii) to a nominee or custodian of a person or entity to whom a disposition nor transfer would be permissible under clauses (i) through (vi) above;

   (viii) pursuant to an order of a court or regulatory agency or to comply with any regulations related to the undersigned’s ownership of Ordinary Shares; provided, that if the undersigned is required to file a report under the Exchange Act, the undersigned shall include a statement in such report to the effect that such transfer is pursuant to an order of a court or regulatory agency or to comply with any regulations related to the ownership of the Ordinary Shares unless such a statement would be prohibited by any applicable law, regulation or order of a court or regulatory authority;

   (ix) to the Company or its affiliates upon death, disability or termination of employment, in each case, of the undersigned;
(x) pursuant to a bona fide third-party tender offer, merger, consolidation or other similar transaction made to all holders of Parent Ordinary Shares involving a change of control of Parent that has been approved by Parent’s board of directors, provided that in the event that such tender offer, merger, consolidation or other such transaction is not completed, the Converting Holder’s Shares shall remain subject to the provisions of the restrictions set forth in this Section 1.11, and provided further that “change of control” as used herein, shall mean the consummation of any bona fide third party tender offer, merger, consolidation or other similar transaction the result of which is that any “person” (as defined in Section 13(d)(3) of the Exchange Act), or group of persons, other than the Company, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 of the Exchange Act) of at least 90% of total voting power of the voting stock of Parent; or

(xi) in connection with transactions by any person other than Parent relating to Parent Ordinary Shares acquired in open market transactions;

provided that, (1) in the case of each transfer or distribution pursuant to clauses (i) through (vii) and (x) above, each donee, trustee, distributee or transferee, as the case may be, agrees to be bound in writing by the restrictions set forth herein, (2) each transfer or distribution pursuant to clauses (v) through (vii) above shall not involve a disposition for value and (3) in the case of each transfer or distribution pursuant to clauses (i), (iii) through (vi) and (xi) above, no filing under the Exchange Act reporting a reduction in beneficial ownership of shares of Ordinary Shares, shall be required or shall be voluntarily made during the Lock-up Period. For purposes of this Section 1.11, “immediate family” shall mean any relationship by blood, marriage, civil partnership or adoption, not more remote than first cousin.

(c) Notwithstanding anything to the contrary contained in this Section 1.11, if Converting Holder is a corporation, the corporation may transfer the capital stock of Parent to any wholly owned subsidiary of such corporation; provided, however, that in any such case, it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding such capital stock subject to the provisions of this Section 1.11 and there shall be no further transfer of such capital stock except in accordance with this Section 1.11, and provided further that any such transfer shall not involve a disposition for value.

(d) The restrictions described in this Section 1.11 shall not apply to the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act, provided that no transfers occur under such plan during the Lock-up Period and no public announcement or filing shall be required or voluntarily made by any person in connection therewith until after the expiration of the Lock-up Period.

1.12 Legends. The certificate, certificates or book-entry entitlements representing the Merger Shares shall bear the following legends (as well as any other legends required hereunder or by applicable state and federal corporate and securities laws) until such time as such legends are no longer relevant or applicable:

(a) THE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”) AND ARE “RESTRICTED SECURITIES” AS THAT TERM IS DEFINED IN RULE 144 UNDER THE ACT. THESE SHARES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED EXCEPT (I) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, OR (II) UNLESS THE ISSUER HAS RECEIVED AN OPINION OF COUNSEL SATISFACTORY TO IT THAT THESE SHARES MAY BE SOLD PURSUANT TO RULE 144 OR ANOTHER AVAILABLE EXEMPTION UNDER THE ACT AND THE RULES AND REGULATIONS THEREUNDER.

(b) [THE SHARES EVIDENCED HEREBY ARE SUBJECT TO A RIGHT OF REPURCHASE AS SET FORTH IN A CERTAIN SHARE RESTRICTION AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER, SUCH RIGHT TO REPURCHASE IS BINDING ON THE TRANSFEREES OF THESE SHARES.]
The legends set forth in (a) above shall be removed by Acquirer from any certificate or book-entry entitlement evidencing the Merger Shares upon [(y)] with regard to legend(a), delivery to Acquirer of an opinion of counsel, reasonably satisfactory in form and substance to Acquirer, that either (i) a registration statement under the Securities Act is at that time in effect with respect to the legended security or (ii) such security can be freely transferred in a public sale (other than pursuant to Rule 144, Rule 144A or Rule 145 promulgated under the Securities Act) without such a registration statement being in effect and that such transfer will not jeopardize the exemption or exemptions from registration pursuant to which Acquirer issued the Merger Shares [and (z) with regard to legend (b), the termination or lapse of the restrictions on transfer referred to in Section 1.11(a)].

1.13 **Stop-Transfer Instructions**. Converting Holder agrees that, in order to ensure compliance with the restrictions imposed by this Agreement, Acquirer may issue appropriate “stop-transfer” instructions to its transfer agent, if any, and if Acquirer acts as its own transfer agent, it may make appropriate notations to the same effect in its own records. Acquirer will not be required (a) to transfer on its books any Merger Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (b) to treat as owner of such Merger Shares, or to accord the right to vote or receive dividends, to any purchaser or other transferee to whom such Merger Shares have been so transferred. Converting Holder further understands and agrees that Acquirer may require written assurances, in form and substance satisfactory to counsel for Acquirer (which may include a requirement that Converting Holder’s counsel provide a legal opinion acceptable to Acquirer), before Acquirer effects any future transfers of the Merger Shares.

1.14 **Stock Certificates**. Converting Holder understands that Acquirer’s current policy is to not issue share certificates in respect of shares in its capital, and all new issuances of shares are reflected on Parent’s books and records in book entry only, with appropriate notations reflecting the applicable legends.

2. **COMPLIANCE WITH LAWS AND REGULATIONS.** The issuance and transfer of the Merger Shares will be subject to and conditioned upon compliance by Acquirer and Converting Holder with all applicable state and federal laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Merger Shares may be listed or quoted at the time of such issuance or transfer.

3. **ENTIRE AGREEMENT.** This Investor Representation Letter[, the Share Restriction Agreement (if applicable to Converting Holder)] and the Merger Agreement constitute the entire agreement and understanding of the parties with respect to the subject matter of this Investor Representation Letter, and supersede all prior understandings and agreements, whether oral or written, between or among the parties hereto with respect to the specific subject matter hereof.

[Signature page follows]
IN WITNESS WHEREOF, the parties have entered into this Investor Representation Letter as of the date and year first entered. Very truly yours,

CONVERTING HOLDER:

(Print Name of Company Member)

(Signature)

(Print name and title if signing on behalf of an entity)

(Print Address)

(Print Address)

(Print Telephone Number)

[Signature Page to Investor Representation Letter]
EXHIBIT D
Form of Certificate of Merger
(See Attached)
CERTIFICATE OF MERGER FOR THE MERGER OF

YANKEE MERGER SUB, LLC
(a Delaware limited liability company)

WITH AND INTO

STADIUM ENTERPRISES LLC
(a Delaware limited liability company)

_______________, 201_

Pursuant to Title 6, Section 18-209 of the Delaware Limited Liability Act

Stadium Enterprises LLC a Delaware limited liability company (the “Company”), does hereby certify to the following facts relating to the merger (the “Merger”) of Yankee Merger Sub, LLC, a Delaware limited liability company (“Merger Sub”), with and into the Company, with the Company remaining as the surviving limited liability company of the Merger (the “Surviving Limited Liability Company”):

FIRST: The name of the surviving limited liability company is Stadium Enterprises LLC, and the name of the limited liability company being merged into this surviving limited liability company is Yankee Merger Sub, LLC. The Company and Merger Sub are (i) the constituent limited liability companies in the Merger and (ii) are organized under the laws of the State of Delaware.

SECOND: An Agreement and Plan of Merger has been approved, adopted, executed and acknowledged by the Company and by Merger Sub.

THIRD: The name of the Surviving Limited Liability Company shall be Stadium Enterprises LLC.

FOURTH: Upon effectiveness of the Merger, the Certificate of Formation of the Surviving Limited Liability Company shall be amended and restated in its entirety as set forth in the Amended and Restated Certificate of Formation attached hereto as Exhibit A.

FIFTH: This Certificate of Merger shall be effective at the time of its filing with the Secretary of State of the State of Delaware.

SIXTH: The Surviving Limited Liability Company shall be a limited liability company formed and existing under the laws of the State of Delaware.

SEVENTH: The executed Agreement and Plan of Merger is on file at the principal place of business of the Surviving Limited Liability Company at 780 Third Avenue, 7th Floor, New York, NY 10017.

EIGHTH: A copy of the executed Agreement and Plan of Merger will be furnished by the Surviving Limited Liability Company, on request and without cost, to any member of the constituent limited liability companies of the Merger.
IN WITNESS WHEREOF, Stadium Enterprises LLC has caused this Certificate of Merger to be executed by its duly authorized officer as of the date first above written.

STADIUM ENTERPRISES LLC

By: ________________________________________________

Name: Jed Stiller

Title: Authorized Representative
FIRST: The name of the limited liability company is Stadium Enterprises LLC.

SECOND: The address of its registered office in the State of Delaware is 251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808.

The name of its registered agent at such address is Corporation Service Company.

* * * *
This Certificate is being provided by Stadium Enterprises LLC, a Delaware limited liability company (the “Company”), to Farfetch US Holdings, Inc., a Delaware corporation (“Acquirer”) pursuant to Section 1.2(b)(xvi) of that certain Agreement and Plan of Merger, dated as of December 12, 2018 (as it may be amended from time to time in accordance with its terms, the “Merger Agreement”), by and among Acquirer, Yankee Merger Sub, LLC a Delaware limited liability company and a wholly owned, subsidiary of Acquirer, the Company, the Members’ Agent (as defined therein) and, solely for the limited purposes set forth therein, Parent (as defined therein).

Withholding is required under Section 1445(e)(5) of the Internal Revenue Code of 1986, as amended (the “Code”), and Treas. Reg. § 1.1445-11T(d)(1) with respect to the disposition by a foreign partner of an interest in a domestic or foreign partnership in which fifty percent or more of the value of the gross assets consist of “U.S. real property interests” (as that term is defined in § 897(c)(1) of the Code and in Treas. Reg. § 1.897-1(c) and Treas. Reg. § 1.897-7T), and ninety percent or more of the value of the gross assets consist of U.S. real property interests plus any cash or cash equivalents. To inform Purchasers that withholding is not required under § 1445 of the Code from amounts paid to any Company Member (as defined in the Merger Agreement) in relation to the receipt of cash and/or cancellation of indebtedness in the unit cancellation and conversion contemplated by the Merger Agreement, the undersigned, an authorized person of the Company under Treas. Reg. § 1.1445-11T(d)(2) and Treas. Reg. § 1.897-7T, hereby certifies as follows:

1. As of the date hereof, the Company is classified as a partnership for United States federal tax purposes.

2. Notice is hereby given that, as of the date hereof, neither do fifty percent or more of the value of the gross assets of the Company consist of U.S. real property interests, nor do ninety percent or more of the value of the gross assets of the Company consist of U.S. real property interests plus cash or cash equivalents.

3. The Company’s federal employer identification number is 37-1775891, and the Company’s address is 47 Howard St, New York, NY 10013.

4. The Company acknowledges that it is issuing this statement and making the certifications contained herein pursuant to Treas. Reg. § 1.1445-11T(d)(2), and the Company authorizes Purchasers to file this statement with the Internal Revenue Service at any time after the closing of the transactions described in the Purchase Agreement.
Under penalties of perjury, I declare that I have examined this statement and the certifications contained herein and to the best of my knowledge and belief it is true, correct, and complete, and I further declare that I have authority to sign this document on behalf of the Company.

STADIUM ENTERPRISES LLC

By: ________________________________
Name: Jed Stiller
Title: Authorized Representative

[Signature Page to FIRPTA Certificate]
CERTIFICATE OF NON–FOREIGN STATUS

Section 1446(f) of the Internal Revenue Code of 1986, as amended (the “Code”), provides that a transferee of a partnership interest must withhold tax if the transferee is a foreign person and any portion of the gain on the disposition of the partnership interest would be treated under Section 864(c)(8) as effectively connected with the conduct of a trade or business within the United States. To inform Farfetch US Holdings, Inc., a Delaware corporation, (the “Acquirer”) that withholding of tax is not required upon my disposition of my partnership units, I, ___________________ (the “Transferor”), hereby certify the following:

a. I am not a nonresident alien for purposes of U.S. income taxation;

b. My U.S. taxpayer identifying number is ________________; and

c. My home address is ____________________________.

I understand that this certificate may be disclosed to the Internal Revenue Service by the Acquirer and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury I declare that I have examined this certificate and to the best of my knowledge and belief it is true, correct, and complete.

Date: ___________________________________________ By: ___________________________________________
CERTIFICATION OF NON-FOREIGN STATUS

Section 1446(f) of the Internal Revenue Code of 1986, as amended (the “Code”), provides that a transferee of a partnership interest must withhold tax if the transferor is a foreign person and any portion of the gain on the disposition of the partnership interest would be treated under Section 864(c)(8) of the Code as effectively connected with the conduct of a trade or business within the United States. For U.S. tax purposes (including Section 1446(f) of the Code), the owner of a disregarded entity (which has legal title to a U.S. real property interest under local law) will be the transferor of the property and not the disregarded entity. To inform Farfetch US Holdings, Inc., a Delaware corporation, (the “Acquirer”) that withholding of tax is not required upon my disposition of U.S. real property interest by _________________(the “Transferor”), the undersigned hereby certifies the following on behalf of the Transferor:

(a) The Transferor is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and the Treasury Regulations promulgated thereunder);

(b) The Transferor is not a disregarded entity as defined in Treas. Reg. § 1.1445-2(b)(2)(iii);

(c) The Transferor’s U.S. employer identification number is ___________________; and

(d) The Transferor’s office address is:

__________________________________________

The Transferor understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment or both.

Under penalties of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct, and complete, and I further declare that I have authority to sign this document on behalf of the Transferor.

Date: ________________________________

By: ________________________________

Name: ________________________________

Title: ________________________________
NOTE REPAYMENT AGREEMENT

This NOTE REPAYMENT AGREEMENT (this “Agreement”) is entered into as of __________, 201_, (the “Effective Date”), by and between Stadium Enterprises LLC, a Delaware limited liability company (the “Company”), and [●] (“Holder”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Notes (as defined below).

RECITALS

WHEREAS, the Company issued to Holder certain Convertible Note(s) on the dates, and in the amounts set forth on Exhibit A (each a “Note” and together, the “Notes”), and Exhibit A sets forth for each Note, the outstanding principal balance, accrued interest and change-in-control premium as of the Effective Date.

WHEREAS, the Company has entered into that certain Agreement and Plan of Merger (the “Merger Agreement”) with Farfetch US Holdings, Inc., a Delaware corporation (“Acquirer”), and other parties named therein, pursuant to which a wholly-owned subsidiary of Acquirer (the “Merger Sub”) will be merged with and into the Company, with the Company surviving as a wholly-owned subsidiary of Acquirer (the “Merger”)

WHEREAS, the Merger constitutes a Change of Control pursuant to the terms of the Notes.

WHEREAS, in connection with the Merger, the Company wishes to repay the Notes in accordance with the terms of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Note Repayment

(a) The Company and the Holder hereby agree that effective as of, and in connection with, the Closing (as defined in the Merger Agreement), and notwithstanding anything to the contrary contained in the Notes, the Company shall pay, or cause to be paid, to the Holder an amount equal to $[AMOUNT] (the “Repayment Amount”), which amount is equal to the sum of (i) all accrued but unpaid interest due on such Notes as of January [●], 2019 plus (ii) ______ times the outstanding principal balance of such Notes. If the Repayment Amount is not paid by the Company to Holder by 5:00 p.m. (Eastern Time) on January [●], 2019, additional interest will accrue on the Notes, and the Repayment Amount shall increase, at the per diem rate of $[●] (the “Per Diem”) until the receipt by Holder of the Repayment Amount.

(b) Other than the right to receive the Repayment Amount pursuant to this Agreement, Holder for himself, herself or itself and on behalf of his, her or its heirs, legal representatives, successors and assigns (collectively, the “Relevant Persons”), hereby irrevocably, unconditionally and forever acquits, releases, waives and discharges Acquirer, each of and the Company and its subsidiaries and Merger Sub, and each of their respective officers, directors, employees, agents, divisions, affiliated corporations, subsidiaries, affiliates, managers affiliated non-corporation entities, representatives, successors, predecessors and assigns (individually and collectively, the “Released Parties”) from any and all past, present and future debts, losses, costs, accounts, reckonings, bills, sums of money, bonds, suits, actions, causes of action, liabilities, contributions, attorneys’ fees, interest, damages, punitive damages, expenses, controversies, covenants, contracts, promises, judgments, liabilities, claims, potential claims, counterclaims, cross-claims, or demands, in law or in equity, asserted or unasserted, express or implied, known or unknown, matured or unmatured, contingent or vested, liquidated or unliquidated, of any kind or nature or description whatsoever, that any of the Relevant Persons had, presently has or may hereafter have or claim or assert to have against any of the Released Parties by reason of any act, omission, transaction, occurrence, conduct, circumstance, condition, harm, matter, cause or thing that has occurred or existed at any time from the beginning of time up to and including the Effective Time, that in any way arise from or out of, are based upon or relate to such Relevant Person’s or Relevant Persons’, as applicable, ownership of the Notes (the “Released Claims”). The release is intended to be complete, global and all-encompassing and specifically includes claims that are known, unknown, fixed, contingent or conditional with respect to the matters described herein.
Holder further acknowledges and agrees that: (i) the payment to the Holder of the Repayment Amount constitutes the full and complete satisfaction of Company’s obligations under the Notes; and (ii) upon Holder’s receipt of the Repayment Amount, the Notes shall be deemed satisfied in full and cancelled and of no further force and effect, without any further action required.

(d) Notwithstanding the foregoing, in the event the Merger Agreement is terminated prior to the Closing, this Agreement shall terminate and be of no further force and effect upon the date and time of the valid termination of the Merger Agreement in accordance with its terms.

2. **Representations and Warranties of Holder**. Holder represents and warrants to the Company as follows: (a) Holder has not assigned, or agreed to assign, any of its rights under the Notes; (b) Holder has the full legal right and capacity to enter into this Agreement; and (c) this Agreement has been duly and validly executed and delivered by the Holder and, assuming the due authorization, execution and delivery by the Company, constitutes a legal, valid and binding obligation of Holder, enforceable against Holder in accordance with its terms.

3. **Miscellaneous**.

(a) **Further Assurances**. Holder and the Company shall execute and deliver, or cause to be executed and delivered all such documents and/or instruments to be executed in connection with the repayment of the Notes, and will take or cause to be taken such further or other action as is necessary or desirable in order to carry out the intent and purpose of this Agreement.

(b) **Counterparts**. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other party hereto; it being understood and agreed that all parties hereto need not sign the same counterpart. The delivery by facsimile or by electronic delivery in PDF format of this Agreement with all executed signature pages (in counterparts or otherwise) shall be sufficient to bind the parties hereto to the terms and conditions set forth herein. All of the counterparts will together constitute one and the same instrument and each counterpart will constitute an original of this Agreement.

(c) **Entire Agreement**. This Agreement constitutes the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence, agreements, understandings, duties or obligations between the parties with respect to the subject matter hereof.

(d) **Successors and Assigns**. This Agreement, and the rights and obligations of the parties hereunder, will be binding upon and inure to the benefit of their respective successors, assigns, heirs, executors, administrators and legal representatives.

(e) **Severability**. In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement shall continue in full force and effect and shall be interpreted so as reasonably necessary to effect the intent of the parties hereto. The parties hereto shall use all reasonable efforts to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that shall achieve, to the greatest extent possible, the economic, business and other purposes of such void or unenforceable provision.

(f) **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except that body of law relating to choice of laws.
IN WITNESS WHEREOF, the parties hereto have executed this NOTE REPAYMENT AGREEMENT as of the day and year first written above.

COMPANY

STADIUM ENTERPRISES LLC

By: 
Name: 
Title: 

HOLDER

[NAME]

By: 
Name: 
Title: 

Address:

[Signature Page to Note Repayment Agreement]
### Exhibit A
Convertible Notes

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<th>Date</th>
<th>Principal Balance</th>
<th>Accrued Interest</th>
<th>Change in Control Premium</th>
<th>Repayment Amount</th>
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ESCROW AGREEMENT

THIS ESCROW AGREEMENT (the “Escrow Agreement”) is entered into and effective as of this __ day of ____, 2019, by and among PNC Bank, National Association, a national banking association (the “Escrow Agent”), Farfetch US Holdings, Inc., a Delaware corporation (“Acquirer”), and Jed Stiller (the “Members’ Agent”), solely in his capacity as agent on behalf of the Converting Holders. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Merger Agreement (as defined below).

WHEREAS, Acquirer, Yankee Merger Sub, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Acquirer (“Merger Sub”), Stadium Enterprises LLC, a Delaware limited liability company (“Company”), the Members’ Agent and, solely for the limited purposes set forth therein, Farfetch Ltd., a Cayman limited company and the ultimate parent entity of Acquirer, have entered into that certain Agreement and Plan of Merger, dated December 12, 2018 (the “Merger Agreement”), pursuant to which Merger Sub will be merged with and into the Company (the “Merger”), with the Company continuing as the surviving entity of the Merger and as a wholly-owned subsidiary of Acquirer.

WHEREAS, pursuant to the Merger Agreement, Acquirer has agreed to deposit certain funds into an escrow account (the “Escrow Account”) at the Closing by wire transfer of immediately available cash funds, with such funds to be held, invested and disbursed by the Escrow Agent in accordance with the terms and conditions of this Escrow Agreement.

WHEREAS, the parties desire to set forth their understandings with regard to the Escrow Account established by this Escrow Agreement.

NOW, THEREFORE, in consideration of the premises hereinafter, the parties hereto agree as follows:

I. Terms and Conditions

1.1. Appointment of and Acceptance by Escrow Agent. Acquirer and the Members’ Agent hereby appoint the Escrow Agent to serve as escrow agent for the purposes set forth herein, and the Escrow Agent hereby accepts such appointment and agrees to perform its duties as provided herein.

1.2. Establishment of Escrow. At the Closing, Acquirer will deposit (or cause to be deposited) into the Escrow Account pursuant to the wire instructions set forth on Schedule A hereto, in immediately available funds, US$25,000,000, representing the Cash Escrow Amount referred to in the Merger Agreement (together with all interest and earnings thereon, and less any disbursements hereunder, the “Escrow Fund”)

1.3. Application of the Escrow Fund. Subject to the terms, conditions and limitations contained herein and in the Merger Agreement, the Escrow Fund shall be available to satisfy (i) adjustments to the Merger Consideration payable to the Acquirer pursuant to the Merger Agreement and (ii) Indemnifiable Damages due to the Acquirer Indemnified Persons pursuant to the Merger Agreement.

1.4. Disbursements of the Escrow Fund. The Escrow Agent shall only disburse amounts from the Escrow Fund as follows:

(a) Disbursement of the Escrow Fund.

i. If at any time prior to the Escrow Release Date (as defined below), Acquirer shall deliver a Claim Certificate to the Members’ Agent pursuant to the Merger Agreement, or shall assert an indemnity claim under the Merger Agreement, Acquirer shall also deliver a copy of the Claim Certificate or other claim assertion, as the case may be, to the Escrow Agent (such copy to the Escrow Agent being an “Indemnity Claim Notice”), which Indemnity Claim Notice shall include the amount claimed therein (the “Claim Amount”) and instructions for the payment of the Claim Amount. The Escrow Agent shall not disburse any amount with respect to such Indemnity Claim Notice during the 20-day period following receipt of such Indemnity Claim Notice except pursuant to a Joint Written Direction. “Joint Written Direction” shall mean a written notification, in the form of Exhibit B hereto, delivered to the Escrow Agent and signed by an authorized representative of each of Acquirer and the Members’ Agent (a list of whom are provided in Exhibit A-1 and Exhibit A-2, respectively) If the Escrow Agent receives a Joint Written Direction with respect to the entire Claim Amount, the Escrow Agent shall distribute such Claim Amount in immediately available funds from the Escrow Fund, to the extent of the amount of the Escrow Fund that has not previously been distributed pursuant to this Escrow Agreement, in accordance with the payment instructions. If the Escrow Agent receives a Joint Written Direction with respect to a portion, but not all, of the Claim Amount set forth in such Claim Notice, the Members’ Agent shall be deemed to have accepted the portion of such Claim Amount as valid, and the Escrow Agent shall pay such portion of such Claim Amount in immediately available funds from the Escrow Fund in accordance with the payment instructions and shall disburse the balance of such Claim Amount in accordance with Section 1.4(a)(ii), (iii) or
(iv), as the case may be. If the Member’s Agent contests by written notice to Acquirer (with a copy delivered to the Escrow Agent) any claim or claims in the Indemnity Claim Notice within the 20-day period following receipt of such Indemnity Claim Notice, the Escrow agent will not release any funds with respect to such disputed portion of the Claim Amount (the “Disputed Amount”) unless and until the Escrow Agent receives either (x) a copy of a final, non-appealable award or order of a court of competent jurisdiction or arbitrator or arbitration panel determining the parties’ respective rights to such Disputed Amount, or (y) a Joint Written Direction with respect to such Disputed Amount. Notwithstanding anything contained in the foregoing, if the Members’ Agent does not contest by written notice to Acquirer (with a copy delivered to the Escrow Agent) the entire Claim Amount or a portion of the Claim Amount within the 20-day period following receipt of such Indemnity Claim Notice, the Escrow Agent shall distribute such undisputed portion of the Claim Amount to Acquirer in accordance with the instructions contained in such Indemnity Claim Notice.

ii. Notwithstanding the provisions of Section 1.4(a)(i), in the event that the Escrow Agent receives a copy of a final, non-appealable award or order of a court of competent jurisdiction or arbitrator or arbitration panel forwarded by Acquirer, which award or order specifies the specific dollar amount to be delivered by any Converting Holder and to which such copy Acquirer shall attach payment instructions (an “Indemnification Demand Notice”), the Escrow Agent shall distribute such specific dollar amount (to the extent of the amount of the Escrow Fund that has not previously been distributed pursuant to this Escrow Agreement) in accordance with the attached payment instructions; provided that Acquirer shall simultaneously provide a copy of such Indemnification Demand Notice to the Members’ Agent.

iii. Notwithstanding the provisions of Sections 1.4(a)(i) and (ii) above, if at any time Acquirer and the Members’ Agent jointly execute and deliver a Joint Written Direction, the Escrow Agent shall disburse the Escrow Fund (or a portion thereof) in accordance with the instructions contained in such Joint Written Direction.

iv. With respect to the Escrow Fund, the “Release Date” shall be 11:59 p.m. local time on April 1, 2020, or the date the Escrow Agent no longer holds any of the Escrow Fund hereunder as a result of the distribution of all of the Escrow Fund pursuant to the terms herein. Upon the occurrence of a Release Date, Acquirer and the Members’ Agent shall jointly execute and deliver to the Escrow Agent a Joint Written Direction specifying the amount of the Escrow Fund to be released to the Members’ Agent, and the Escrow Agent shall deliver the specified portion of the Escrow Fund to the Members’ Agent in the amount provided for in the Joint Written Direction. To the extent the amount set forth in any pending Claim Notice exceeds the remaining funds in the Escrow Account, Acquirer and the Members’ Agent shall be responsible for determining such portion of the Escrow Fund as may be necessary to satisfy the entire aggregate amount of the then-pending claims set forth in all such Indemnity Claim Notices (each, a “Pending Claim Notice”), which amount shall be retained by the Escrow Agent until each such claim set forth in a Pending Claim Notice is finally resolved in accordance with Section 1.4(a)(i), (ii) or (iii) above or the last sentence of this Section 1.4(a)(iv), and the Escrow Agent shall be entitled to rely conclusively and without further inquiry on the release amount specified in the Joint Written Direction. With respect to a Pending Claim Notice, in the event that the Escrow Agent receives a copy of a final, non-appealable order of a court of competent jurisdiction or arbitrator or arbitration panel forwarded by the Members’ Agent, which order specifies that no dollar amount is owed by the Members’ Agent or the Converting Holders to Acquirer with respect to a Pending Claim Notice (a “Disbursement Notice”), the Escrow Agent shall distribute the dollar amount subject to such Pending Claim Notice (to the extent of the amount of the Escrow Fund that has not previously been distributed pursuant to this Escrow Agreement) in accordance with the payment instructions set forth in such Disbursement Notice; provided that the Members’ Agent shall simultaneously provide a copy of the Disbursement Notice to Acquirer.

(b) Any final, non-appealable award or order of a court of competent jurisdiction or arbitrator or arbitration panel delivered under Section 1.4(a) shall be accompanied by a certificate of the presenting party that such order is final and non-appealable and from a court of competent jurisdiction or arbitrator or arbitration panel, upon which the Escrow Agent shall be entitled to conclusively rely without further investigation. Any party requesting the disbursement of funds from the Escrow Account pursuant to an Indemnity Demand Notice or Disbursement Notice with respect to such an award or order shall include with its delivery of such Indemnity Demand Notice or Disbursement Notice to the Escrow Agent wire instructions to which the Escrow Agent is instructed to release the funds.

(c) Notwithstanding anything to the contrary in this Escrow Agreement, if any amount to be released at any time or under any circumstances exceeds the balance in the Escrow Account, the Escrow Agent shall release the balance in the Escrow Account and shall have no liability or responsibility to any party for any deficiency.

(d) The Escrow Agent will disburse any amounts from the Escrow Fund as required by this Section 1.4 within two (2) Business Days (as defined below) or as soon as commercially reasonable thereafter from (x) the date of the Escrow Agent’s receipt of a Joint Written Direction, Indemnification Demand Notice or Disbursement Notice, as applicable, or (y) with respect to any Undisputed Amount, the expiration of the 20-day period following an Indemnity Claim Notice.
II. Provisions as to the Escrow Agent

2.1. Limited Duties of Escrow Agent. The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Escrow Agreement that shall be deemed purely ministerial in nature. Under no circumstance will the Escrow Agent be deemed to be a fiduciary to any party or any other person under this Escrow Agreement. This Escrow Agreement expressly and exclusively sets forth the duties of the Escrow Agent with respect to any and all matters pertinent hereto and no implied duties or obligations shall be read into this Escrow Agreement against the Escrow Agent. The Escrow Agent shall not be bound by, deemed to have knowledge of, or have any obligation to determine, make inquiry into or consider, any term or provision of any agreement between the Members’ Agent, the Acquirer Indemnified Parties, Acquirer and/or any other third party or as to which the escrow relationship created by this Escrow Agreement relates, including without limitation the Merger Agreement or any other documents referenced in this Escrow Agreement.

2.2. Limitations on Liability of Escrow Agent.

(a) In performing its duties under this Escrow Agreement, or upon the claimed failure to perform its duties, the Escrow Agent shall have no liability except for the Escrow Agent’s fraud, willful misconduct, bad faith or gross negligence. In no event shall the Escrow Agent be liable for incidental, indirect, special, consequential or punitive damages of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(b) Except in cases of the Escrow Agent’s fraud, willful misconduct, bad faith or gross negligence, the Escrow Agent shall be fully protected (i) in acting in reliance upon any certificate, statement, request, notice, advice, instruction, direction, other agreement or instrument or signature reasonably and in good faith provided by the Members’ Agent or Acquirer with respect to such party’s information and believed by the Escrow Agent to be genuine, (ii) in assuming that any person purporting to give the Escrow Agent any of the foregoing in connection with either this Escrow Agreement or the Escrow Agent’s duties has been duly authorized to do so and (iii) in acting or failing to act in good faith in accordance with the terms of this Escrow Agreement on the advice of outside counsel retained by the Escrow Agent.

(c) The Escrow Agent shall have no liability with respect to the transfer or distribution of any funds effected by the Escrow Agent pursuant to wiring or transfer instructions provided to the Escrow Agent in accordance with the provisions of this Escrow Agreement. The Escrow Agent shall be entitled to rely upon all bank and account information provided to the Escrow Agent by the applicable authorized representative of each of Acquirer and the Members’ Agent set forth on Exhibit A-1 and Exhibit A-2. The Escrow Agent shall have no duty to verify or otherwise confirm any written wire transfer instructions except as set forth in Section 2.3 below, but it may do so in its discretion on any occasion without incurring any liability to any party for failing to do so on any other occasion. The Escrow Agent shall process all wire transfers based on bank identification and account numbers rather than the names of the intended recipient of the funds, even if such numbers pertain to a recipient other than the recipient identified in the payment instructions. The Escrow Agent shall have no duty to detect any such inconsistencies and shall resolve any such inconsistencies by using the account number. In connection with any payments that the Escrow Agent is instructed to make by wire transfer, the Escrow Agent shall not be liable for the acts or omissions of (i) the Members’ Agent, Acquirer or other person providing such instructions, including without limitation errors as to the amount, bank information or bank account number; or (ii) any other person or entity, including without limitation any Federal Reserve Bank, any transmission or communications facility, any funds transfer system, any receiver or receiving depository financial institution, and no such person or entity shall be deemed to be an agent of the Escrow Agent. Any wire transfers of funds made by the Escrow Agent pursuant to this Escrow Agreement will be made subject to and in accordance with the Escrow Agent’s usual and ordinary wire transfer procedures in effect from time to time.

(d) No provision of this Escrow Agreement shall require the Escrow Agent to risk or advance its own funds or otherwise incur any financial liability or potential financial liability in the performance of its duties or the exercise of its rights under this Escrow Agreement. The Escrow Agent shall not be obligated to take any legal action or to commence any proceedings in connection with this Escrow Agreement or any property held hereunder or to appear in, prosecute or defend in any such legal action or proceedings.

2.3. Security Procedure For Funds Transfers. The Escrow Agent shall confirm each funds transfer instruction received in the name of a party by telephone call-back to a person specified on Exhibit A-1 (in the case of a funds transfer to Acquirer) or Exhibit A-2 (in the case of a funds transfer to the Members’ Agent) at the telephone number specified for such authorized person on Exhibit A-1 or Exhibit A-2, as applicable. Once delivered to the Escrow Agent, Exhibit A-1 or Exhibit A-2 may be revised or rescinded only by a writing signed by an authorized representative of the applicable party. Such revisions or rescissions shall be effective only after actual receipt and following such period of time as may be necessary to afford the Escrow Agent a reasonable opportunity to act on it. If a revised Exhibit A-1 or Exhibit A-2 or a rescission of an existing Exhibit A-1 or Exhibit A-2 is delivered to the Escrow Agent by an entity that is a successor-in-interest to such party, such document shall be accompanied by additional documentation satisfactory to the Escrow Agent showing that such entity has succeeded to the rights and responsibilities of the applicable authorized representative of each of Acquirer and the Members’ Agent under this Escrow Agreement. Acquirer and the Members’ Agent understand that the Escrow Agent’s inability to receive or confirm funds transfer instructions pursuant to the above security procedure may result in a delay in accomplishing such funds transfer, and agree that the Escrow Agent shall not be liable for any loss caused by any such delay.
2.4. **Depository Role.** The Escrow Agent acts hereunder as a depository only, and is not responsible or liable in any manner whatsoever for the sufficiency, correctness, genuineness or validity of the subject matter of this Escrow Agreement or any part thereof, or of any person executing or depositing such subject matter.

2.5. **No Duty to Notify.** The Escrow Agent shall in no way be responsible for nor shall it be its duty to notify any party hereto or any other party interested in this Escrow Agreement of any payment required or maturity occurring under this Escrow Agreement or under the terms of any instrument deposited therewith unless such notice is explicitly provided for in this Escrow Agreement.

2.6. **Other Relationships.** The Escrow Agent may execute any of its powers and perform any of its duties hereunder directly or through affiliates or agents. The Escrow Agent and its affiliates, and any of their respective directors, officers or employees may become pecuniarily interested in any transaction in which any of the other parties hereto may be interested and may contract and lend money to any such party and otherwise act as fully and freely as though it were not escrow agent under this Escrow Agreement. Nothing herein shall preclude the Escrow Agent or its affiliates from acting in any other capacity for any such party.

2.7. **Disputes.**

   (a) In the event of any disagreement between Acquirer and the Members’ Agent, or between either of them and any other party, resulting in adverse claims or demands being made in connection with the matters covered by this Escrow Agreement, or in the event that the Escrow Agent, in good faith, be in doubt as to what action it should take hereunder, the Escrow Agent may, at its option, refuse to comply with any claims or demands on it, or refuse to take any other action hereunder, so long as such disagreement continues or such doubt exists, and in any such event, the Escrow Agent shall not be or become liable in any way to or to any party for its failure or refusal to act, and the Escrow Agent shall be entitled to continue to refrain from acting until directed by (i) an order of a court of competent jurisdiction, or (ii) directed otherwise a Joint Written Direction. Notwithstanding the immediately preceding sentence, the Escrow Agent may in its discretion obey the order, judgment, decree or levy of any court, whether with or without jurisdiction, or of an agency of the United States or any political subdivision thereof, or of any agency of any State of the United States or of any political subdivision thereof, and the Escrow Agent is hereby authorized in its sole discretion, to comply with and obey any such orders, judgments, decrees or levies. The Escrow Agent shall be under no duty to institute or defend any legal proceedings, although the Escrow Agent may, in its discretion and at the expense of Acquirer and the Members’ Agent as provided in the immediately following paragraph, institute or defend such proceedings. The rights of the Escrow Agent under this sub-paragraph are cumulative of all other rights which it may have by law or otherwise.

   (b) In the event of any disagreement or doubt, as described above, the Escrow Agent shall have the right, in addition to the rights described above and at the election of the Escrow Agent, to tender into the registry or custody of any court having jurisdiction, all funds, equity and property held under this Escrow Agreement, and the Escrow Agent shall have the right to take such other legal action as may be appropriate or necessary, in the sole discretion of the Escrow Agent. Upon such tender, Acquirer and the Members’ Agent agree that the Escrow Agent shall be discharged from all further duties under this Escrow Agreement.

2.8. **Indemnification.** Acquirer and the Members’ Agent (solely on behalf of the Converting Holders and in its capacity as the Members’ Agent, not in its individual capacity) jointly and severally agree to defend, indemnify and hold harmless the Escrow Agent and each of the Escrow Agent’s officers, directors, agents and employees (the “Escrow Indemnified Parties”) from and against any and all losses, liabilities, claims, damages, expenses and costs (including, without limitation, attorneys' fees and expenses) of every nature whatsoever (collectively, “Escrow Agent Losses”) which any such Escrow Indemnified Party may incur and which arise directly or indirectly from this Escrow Agreement or which arise directly or indirectly by virtue of the Escrow Agent’s undertaking to serve as the Escrow Agent hereunder; provided, however, that no Escrow Indemnified Party shall be entitled to indemnity with respect to Escrow Agent Losses that have been finally adjudicated by a court of competent jurisdiction to have been caused by such Escrow Indemnified Party’s fraud, gross negligence, bad faith or willful misconduct. Acquirer and the Members’ Agent agree solely between themselves, and without affecting any Escrow Indemnified Party’s right to indemnification hereunder, that Acquirer and the Members’ Agent (solely on behalf of the Converting Holders and in his capacity as the Members’ Agent, not in his individual capacity) shall each be responsible for fifty percent (50%) of such indemnification obligations and shall have a right of contribution against the other to the extent that they pay more than their fifty percent (50%) share of such indemnification obligations. The provisions of this section shall survive the termination of this Escrow Agreement and any resignation or removal of the Escrow Agent.
2.9. Mergers, Consolidations, Etc. Any entity into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any entity to which all or substantially all the escrow business of the Escrow Agent may be transferred, shall be the successor Escrow Agent under this Escrow Agreement and shall have and succeed to the rights, powers, duties, immunities and privileges as its predecessor, in each case without the execution or filing of any instrument or paper or the performance of any further act (other than due notice to Acquirer and the Members’ Agent).

2.10. Resignation; Removal.

(a) The Escrow Agent may resign and be discharged from its duties and obligations at any time under this Escrow Agreement by providing written notice to Acquirer and the Members’ Agent. Such resignation shall be effective on the date set forth in such written notice, which shall be no earlier than thirty (30) days after such written notice has been furnished. Thereafter, the Escrow Agent shall have no further obligation except to hold the Escrow Fund as depository and cooperate reasonably in the transfer of the Escrow Fund to a successor escrow agent. Acquirer and the Members’ Agent shall promptly appoint a successor escrow agent. The Escrow Agent shall refrain from taking any action until it shall receive a Joint Written Direction designating the successor escrow agent. However, in the event no successor escrow agent has been appointed on or prior to the date such resignation is to become effective, the Escrow Agent shall be entitled to tender into the custody of any court of competent jurisdiction all funds, equity and other property then held by the Escrow Agent hereunder and the Escrow Agent shall thereupon be relieved of all further duties and obligations under this Escrow Agreement.

(b) Acquirer and the Members’ Agent acting together shall have the right to terminate the appointment of the Escrow Agent upon thirty (30) days’ joint written notice to the Escrow Agent specifying the date upon which such termination shall take effect. Thereafter, the Escrow Agent shall have no further obligation except to hold the Escrow Fund as depository and cooperate reasonably in the transfer of the Escrow Fund to a successor escrow agent. The Escrow Agent shall refrain from taking any action until it shall receive a Joint Written Direction designating the successor escrow agent. However, in the event no successor escrow agent has been appointed on or prior to the date such termination is to become effective, the Escrow Agent shall be entitled to tender into the custody of any court of competent jurisdiction all funds, equity and other property then held by the Escrow Agent hereunder and the Escrow Agent shall thereupon be relieved of all further duties and obligations under this Escrow Agreement.

(c) In the case of a resignation or removal of the Escrow Agent, the Escrow Agent shall have no responsibility for the appointment of a successor escrow agent hereunder. The successor escrow agent appointed by Acquirer and the Members’ Agent shall execute, acknowledge and deliver to the Escrow Agent and the other parties an instrument in writing accepting its appointment hereunder, and thereafter, the Escrow Agent shall deliver all of the then-remaining balance of the Escrow Fund, less any fees and expenses then incurred by and unpaid to the Escrow Agent, to such successor escrow agent in accordance with the Joint Written Direction of Acquirer and the Members’ Agent and upon receipt of the Escrow Fund, the successor escrow agent shall be bound by all of the provisions of this Escrow Agreement.

2.11. Compensation of the Escrow Agent. The parties agree that upon the execution of this Escrow Agreement, Acquirer and the Members’ Agent (solely on behalf of the Converting Holders and in his capacity as the Members’ Agent, not in his individual capacity) will pay the Escrow Agent as stated in the fee schedule attached hereto as Schedule B.

III. Tax Matters

3.1. Tax Matters

(a) On or before the execution and delivery of this Escrow Agreement, each of Acquirer and the Members’ Agent shall provide to the Escrow Agent a completed IRS Form W-9 or Form W-8 (or, in each case, any successor form), as applicable, and shall promptly update any such form to the extent such form becomes obsolete or inaccurate in any respect. The Escrow Agent shall have the right to request from any party to this Escrow Agreement, or any other person or entity entitled to payment hereunder, any additional forms, documentation or other information as may be reasonably necessary for the Escrow Agent to satisfy its reporting and withholding obligations under the Internal Revenue Code of 1986, as amended (the “Code”) and applicable state and local income tax law. To the extent any such forms to be delivered under this Section 3.4(a) are not provided prior to the date hereof or by the time the related payment is required to be made or are determined by the Escrow Agent to be incomplete and/or inaccurate in any respect, the Escrow Agent shall be entitled to withhold (without liability) a portion of any interest or other income earned on the investment of the Escrow Fund or on any such payments hereunder to the extent withholding is required under Chapters 3, 4, or 61 of the Code, and shall have no obligation to gross up any such payment. The Escrow Agent shall have the sole right to make the determination as to which payments hereunder are “reportable payments” or “withholdable payments” under the Code.
(b) Acquirer and the Members’ Agent agree that, subject to the terms and conditions of this Escrow Agreement, the owner of the funds held in the Escrow Account is Acquirer for all tax purposes and the Escrow Agent shall report to the Internal Revenue Service (“IRS”), as of each calendar year-end, all income earned from the investment of any sum held in the Escrow Account as the income of Acquirer for purposes of the Code and applicable state and local income tax law. The Escrow Agent is authorized and directed to report all interest and other income earned on the Escrow Fund in accordance with the IRS Form W-9 or W-8 provided to the Escrow Agent by Acquirer. Acquirer shall report all interest or other income, if any, that is earned on the Escrow Fund as income of Acquirer in the taxable year or years in which such income is properly includable in Acquirer’s gross income and shall pay any and all taxes attributable thereto.

(c) The Escrow Agent shall, to the extent applicable, timely furnish to Acquirer, the IRS, and any other taxing authority, an IRS form 1099 (and any other applicable form) showing the income earned from the Escrow Account for each tax year. The Escrow Agent shall make an annual cash distribution by March 15 of each year to Acquirer out of the Escrow Fund in an amount equal to twenty-five percent (25%) of the income earned in the Escrow Account, if any, in the preceding year. Notwithstanding anything to the contrary herein provided, except for the delivery of IRS Form 1099, the Escrow Agent shall have no duty to prepare or file any Federal or state tax report or return (including, without limitation IRS Forms 1099-B) with respect to any funds or equity held pursuant to this Escrow Agreement or any income earned thereon other than such information reports as the Escrow Agent is required to prepare and file as required by applicable law. The Escrow Agent shall have no responsibility to report any payments from the Escrow Fund other than the interest earned on the Escrow Fund as set forth in this Section 3.1.

(d) Acquirer and the Members’ Agent (solely on behalf of the Converting Holders and in its capacity as the Members’ Agent, not in its individual capacity), jointly and severally, shall indemnify, defend and hold the Escrow Agent harmless from and against any tax, late payment, interest, penalty or other cost or expense that may be assessed against the Escrow Agent on or with respect to the funds and equity held under this Escrow Agreement or any earnings or interest thereon, unless such tax, late payment, interest, penalty or other cost or expense was finally adjudicated by a court of competent jurisdiction to have been directly caused by the gross negligence, bad faith or willful misconduct of the Escrow Agent. The indemnification provided in this section is in addition to the indemnification provided in Section 2.8 and shall survive the resignation or removal of the Escrow Agent and the termination of this Escrow Agreement.

IV. Miscellaneous

4.1 Disbursements. The Escrow Agent shall make no disbursement, investment or other use of funds until and unless it has collected funds. The Escrow Agent shall not be liable for collection items until such proceeds have been received or the Federal Reserve has given the Escrow Agent credit for the funds.

4.2 Permitted Investments. The Escrow Agent shall invest the Escrow Fund in a PNC Non-Interest Bearing Deposit Account, unless Schedule C is completed to provide direction for investment in the Money Market Deposit Account. Information relating to investment of Escrow Fund in a PNC Non-Interest Bearing Deposit Account or, if elected, the Money Market Deposit Account, are set forth on Schedule C. Acquirer and the Members’ Agent recognize and agree that the Escrow Agent will not provide supervision, recommendations or advice relating to the investment of moneys held hereunder or the purchase, sale, retention or other disposition of any investment, and the Escrow Agent shall not be liable to Acquirer or the Members’ Agent or any other person or entity for any loss incurred in connection with any such investment, including, without limitation, any loss due to interest rate fluctuation, early withdrawal penalty or the decline in value of any investment. Any investment earnings and income on the funds held in the Escrow Account shall become part of the Escrow Account and shall be disbursed in accordance with this Escrow Agreement. The Escrow Agent shall not be liable or responsible for any loss resulting from any deposits or investments made pursuant to this Section 4.2, other than as a result of the gross negligence, bad faith or willful misconduct of the Escrow Agent.

4.3 Accounting. The Escrow Agent shall provide monthly reports of transactions and holdings to Acquirer and the Members’ Agent as of the end of each month, at the address provided by Acquirer and the Members’ Agent.
4.4. **Notices.** Any notice, request for consent, report, or any other communication required or permitted in this Escrow Agreement shall be in writing and shall be deemed to have been given (i) when delivered personally to any individual party, (ii) when delivered by electronic mail to the e-mail address given below, provided that written confirmation of receipt is obtained promptly from the recipient after completion of the electronic mail transmission or (iii) on the first (1st) Business Day after the date of deposit with an overnight courier with a reputable national overnight delivery service for next day delivery, postage paid, or on the third (3rd) Business Day after deposit in the U.S. mail, certified or registered, return receipt requested, postage prepaid, addressed in all cases to the party at her, his or its respective address set forth below, or to such other address as such party may designate, provided that notices will be deemed to have been given to the Escrow Agent on the actual date received:

If to the Escrow Agent:

PNC Bank, National Association  
Attn: Heather Kelly  
IDS Building  
80 South Eighth Street, Suite 1450  
Minneapolis, Minnesota 55402  
Email: # ####### #  
Phone: # ####### #

If to Acquirer:

Farfetch Limited  
The Bower, 211 Old Street  
London EC1V 9NR, United Kingdom  
Email: # ####### #  
Attention: Holly Sage, Head of Legal (Corporate/Commercial)

with a copy (which shall not constitute notice) to

Fenwick & West LLP  
902 Broadway, Suite 14  
New York, NY 10010  
Email: # ####### #  
Attention: Ken S. Myers

If to the Members’ Agent

Jed Stiller  
c/o White and Williams LLP  
7 Times Square, Suite 2900  
New York, NY 10036  
Email: # ####### #

with a copy (which shall not constitute notice) to

White and Williams LLP  
7 Times Square, Suite 2900  
New York, NY 10036  
Email: # ####### #, # ####### #  
Attention: Randy M. Friedberg and Joshua G. Galante

Any party may unilaterally designate a different address by giving notice of each change in the manner specified above to each other party. In all cases, the Escrow Agent shall be entitled to rely on a copy or electronic transmission of any document with the same legal effect as if it were the original of such document. “Business Day” shall mean any day other than a Saturday, Sunday or any other day on which banking institutions located in Pennsylvania are authorized or obligated by law or executive order to close.

4.5. **Governing Law.** This Escrow Agreement shall be governed by and construed according to the laws of the State of Delaware, without regard to principles of conflicts of law. The parties hereto consent to the exclusive jurisdiction of the state and federal courts sitting in the state of Delaware and consent to personal jurisdiction of and venue in such courts with respect to any and all matters or disputes arising out of this Escrow Agreement.
Waiver of Jury Trial. To the extent not prohibited by applicable law that cannot be waived, each party hereby waives, and covenants that it will not assert (whether as plaintiff, defendant or otherwise), any right to trial by jury in any forum in respect of any issue, claim, demand, action or cause of action arising in whole or in part under, related to, based on or in connection with this Escrow Agreement or the subject matter hereof, whether now existing or hereafter arising and whether sounding in tort or contract or otherwise. Any party hereto may file an original counterpart or a copy of this Section 4.6 with any court as written evidence of the consent of each such party to the waiver of its right to trial by jury.

Assignment; Binding Effect. Except as permitted in Section 2.9, neither this Escrow Agreement nor any rights or obligations hereunder may be assigned by any party hereto without the express written consent of each of the other parties hereto. This Escrow Agreement shall inure to and be binding upon the parties hereto and their respective successors, heirs and permitted assigns.

Amendment and Waiver. The terms of this Escrow Agreement may be altered, amended, modified or revoked only by an instrument in writing signed by all the parties hereto. No course of conduct shall constitute a waiver of any terms or conditions of this Escrow Agreement, unless such waiver is specified in writing, and then only to the extent so specified. A waiver of any of the terms and conditions of this Escrow Agreement on one occasion shall not constitute a waiver of the other terms of this Escrow Agreement, or of such terms and conditions on any other occasion.

Severability. If any provision of this Escrow Agreement shall be held or deemed to be or shall in fact, be illegal, inoperable or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperable or unenforceable to any extent whatsoever.

Further Assurances. If at any time the Escrow Agent shall determine or be advised that any further agreements, assurances or other documents are reasonably necessary or desirable to carry out the provisions of this Escrow Agreement and the transactions contemplated by this Escrow Agreement, the parties shall execute and deliver any and all such agreements or other documents and do all things reasonably necessary or appropriate to carry out fully the provisions of this Escrow Agreement.

No Third Party Beneficiaries. This Escrow Agreement is for the sole benefit of the parties hereto, and their respective successors and permitted assigns, and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Escrow Agreement. Additionally, any permitted assignee must also satisfy the Escrow Agent’s requirements set forth in Section 2.9.

Force Majeure. No party to this Escrow Agreement shall be liable to any other party hereto for losses due to, or if it is unable to perform its obligations under the terms of this Escrow Agreement because of, acts of God, fire, war, terrorism, floods, strikes, electrical outages, equipment or transmission failure, interruption or malfunctions of communications or power supplies, labor difficulties, actions of public authorities or other similar causes reasonably beyond its control.

Termination. This Escrow Agreement shall terminate upon the distribution by the Escrow Agent in accordance with this Escrow Agreement of all funds, equity and property held under this Escrow Agreement or upon the earlier Joint Written Direction.

Titles and Headings. All titles and headings in this Escrow Agreement are intended solely for convenience of reference and shall in no way limit or otherwise affect the interpretation of any of the provisions hereof.

Counterparts; Facsimile Execution. This Escrow Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Delivery of an executed signature page to this Escrow Agreement and agreements, certificates, instruments and documents entered into in connection herewith by facsimile or other electronic transmission (including Adobe PDF format) will be effective as delivery of a manually executed counterpart to this Escrow Agreement or such agreements, certificates, instruments and documents.

Entire Agreement; Effect of Merger Agreement. This Escrow Agreement constitutes the entire agreement between the Escrow Agent and Acquirer and the Members’ Agent in connection with the subject matter of this Escrow Agreement, and no other agreement entered into between Acquirer and the Members’ Agent, or either of them, including, without limitation, the Merger Agreement, shall be considered as adopted or binding, in whole or in part, upon the Escrow Agent notwithstanding that any such other agreement may be deposited with the Escrow Agent or the Escrow Agent may have knowledge thereof. The parties hereto acknowledge and agree that the Escrow Agent is not a party to, is not bound by, and has no duties or obligations under the Merger Agreement, that all references in this Escrow Agreement to the Merger Agreement are for convenience, and that the Escrow Agent shall have no implied duties beyond the express duties set forth in this Escrow Agreement.
4.17 Procedures for Opening a New Account. IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT: To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. When a party opens an account, the Escrow Agent must obtain each party’s name, address, date of birth (as applicable), taxpayer or other government identification number or other appropriate information that will allow the Escrow Agent to identify such party. The Escrow Agent may also ask to see each party’s driver’s license, passport or other identifying documents. For parties that are business or other legal entities, the Escrow Agent may require such documents as it deems necessary to confirm the legal existence of the entity.

[Signature Page Follows]
IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be executed as of the date first above written.

PNC BANK, NATIONAL ASSOCIATION, as the Escrow Agent

By: ________________________________
Name: ______________________________
Title: ______________________________

FARFETCH US HOLDINGS, INC.

By: ________________________________
Name: ______________________________
Title: ______________________________

JED STILLER, solely in his capacity as the Members’ Agent

Name: ______________________________

10
SCHEDULE A

Escrow Agent
Wire Instructions

PNC Bank, National Association
ABA: [_____]
Account: [_____]
Account Name: [Escrow Services]
Reference: [_____]  
Attention: [_____]
SCHEDULE B

Escrow Agent Fee

I. Acceptance Fee: Waived
A one-time fee, payable upon execution of the Escrow Agreement, to cover the review of the Escrow Agreement, initial set-up of the account, and other reasonably required services up to and including the closing.

II. Annual Administration Fee: Waived
The annual administration fee covers routine duties of Escrow Agent associated with the administration of the account. Administration fees are payable annually in advance, on the closing date and each anniversary of the closing date, without pro-ration for partial years.

III. Out-of-Pocket Expenses (if any): At Cost
Reimbursement of expenses associated with Escrow Agent’s acceptance of, administration of, or performance under the Escrow Agreement, including without limitation fees and expenses of legal counsel, accountants and other agents, tax preparation, reporting and filing, publications, and filing and recording fees, will be billed at cost.

The fee agreed upon for the services rendered hereunder is intended as compensation for the Escrow Agent's services as contemplated by this Escrow Agreement; provided, however, that in the event that the conditions for the disbursement of funds under this Escrow Agreement are not fulfilled, or the Escrow Agent renders any service not contemplated in this Escrow Agreement, or there is any assignment of interest in the subject matter of this Escrow Agreement, or any material modification hereof, or if any material controversy arises hereunder, or the Escrow Agent is made a party to any litigation pertaining to this Escrow Agreement or the subject matter hereof, then the Escrow Agent shall be compensated for such extraordinary services and reimbursed for all costs and expenses, including reasonable out-of-pocket attorneys’ fees and expenses, occasioned by any such delay, controversy, litigation or event. If any amount due to the Escrow Agent hereunder is not paid within thirty (30) days of the date due, the Escrow Agent in its sole discretion may charge interest on such amount up to the highest rate permitted by applicable law. Acquirer and the Members’ Agent (solely on behalf of the Converting Holders and in his capacity as the Members’ Agent, not in his individual capacity) acknowledge their joint and several obligations to pay any fees, expenses and other amounts owed to the Escrow Agent pursuant to this Escrow Agreement; provided that solely as between Acquirer and the Members’ Agent, Acquirer, on the one hand, and the Members’ Agent, on the other hand, shall each be responsible for one-half of such fees, expenses and other amounts. The Escrow Agent shall have, and is hereby granted, a prior lien upon the Escrow Fund with respect to its incurred but unpaid fees, non-reimbursed expenses and unsatisfied indemnification rights, superior to the interests of any other persons or entities and is hereby granted the right to set off and deduct any unpaid fees, non-reimbursed expenses and unsatisfied indemnification rights from the Escrow Fund. The terms of this paragraph shall survive termination of this Escrow Agreement, and shall not in any way limit the rights of the Escrow Agent to indemnification as set forth in this Escrow Agreement.
As of the date of this Escrow Agreement, the Parties authorize and direct the Escrow Agent to invest the Escrow Fund, pursuant to this Escrow Agreement, into a PNC Money Market Deposit Account (“MMDA”).

The MMDA is an interest bearing account and is insured by the Federal Deposit Insurance Corporation, to the standard maximum deposit insurance amount, (including principal and interest), for all deposits held in the same ownership capacity with the Escrow Agent. The MMDA has monthly withdrawal/disbursement restrictions of a maximum of six (6) per month and in the event the maximum is reached in any one calendar month, the funds will be moved to a PNC non-interest bearing deposit option until the beginning of the following month. Deposits shall in all instances be subject to the Escrow Agent’s standard funds availability policy.
EXHIBIT A-1
Certificate of Incumbency
(List of Authorized Representatives of Acquirer)

Client Name: [________]

As an Authorized Officer of the above referenced entity, I hereby certify that each person listed below is an authorized signor for such entity and is authorized to provide direction and initiate or confirm transactions, including funds transfer instructions, on behalf of the above referenced entity, and that the title, signature and contact number appearing beside each name is true and correct.

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<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Email Address</th>
<th>Signature</th>
<th>Contact Number</th>
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IN WITNESS WHEREOF, this certificate has been executed by a duly authorized officer on:

Date

By:

Its:  

Authorized Officer
EXHIBIT A-2

Certificate of Incumbency
(List of Authorized Representatives of the Members’ Agent)

Client Name: [______]

As the Members’ Agent I hereby certify that each person listed below is an authorized signor and is authorized to provide direction and initiate or confirm transactions, including funds transfer instructions, on behalf of the Members’ Agent, and that the title, signature and contact number appearing beside each name is true and correct.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Email Address</th>
<th>Signature</th>
<th>Contact Number</th>
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IN WITNESS WHEREOF, this certificate has been executed on:

__________________________  
Date

By:  

__________________________
EXHIBIT B

JOINT WRITTEN DIRECTION

[INSERT DATE]

Pursuant to that certain Escrow Agreement dated as of [●], 20[●], by and among Farfetch US Holdings, Inc. (“Acquirer”), Jed Stiller (the “Members’ Agent”), and PNC Bank, National Association, a national banking association (the “Escrow Agent”), Acquirer and the Members’ Agent hereby instruct the Escrow Agent to release funds from the Escrow Fund in accordance with the following instructions:

<table>
<thead>
<tr>
<th>$ [___________] to Acquirer:</th>
<th>$ [___________] to Members’ Agent:</th>
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<tbody>
<tr>
<td>Wire Instructions:</td>
<td>Wire Instructions:</td>
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<td>Account Name:</td>
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<td>Bank Name:</td>
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<td>Bank ABA Number:</td>
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<td>Bank Address:</td>
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<tr>
<td>For credit to:</td>
<td>For credit to:</td>
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<tr>
<td>Special Instructions:</td>
<td>Special Instructions:</td>
</tr>
<tr>
<td>Bank Check:</td>
<td>Bank Check:</td>
</tr>
<tr>
<td>Payee Name:</td>
<td>Payee Name:</td>
</tr>
<tr>
<td>Mailing Address:</td>
<td>Mailing Address:</td>
</tr>
</tbody>
</table>

IN WITNESS WHEREOF, the parties hereto have caused this Joint Written Direction to be executed as of the date first above written.

<table>
<thead>
<tr>
<th>FARFETCH US HOLDINGS, INC.</th>
<th>JED STILLER, solely in its capacity as the Members’ Agent</th>
</tr>
</thead>
<tbody>
<tr>
<td>By:</td>
<td>By:</td>
</tr>
<tr>
<td>Name:</td>
<td>Name:</td>
</tr>
<tr>
<td>Title:</td>
<td>Title:</td>
</tr>
</tbody>
</table>
27 February 2019

KADI GROUP HOLDING LIMITED

and

JOSÉ NEVES

and

TGF PARTICIPATIONS LIMITED

SECOND DEED OF AMENDMENT

related to

COMMITMENT AGREEMENT

LATHAM & WATKINS

99 Bishopsgate
London EC2M 3XF
United Kingdom
Tel: +44.20.7710.1000
www.lw.com
<table>
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<th>Clause</th>
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<tr>
<td>1. DEFINITIONS AND INTERPRETATION</td>
<td>3</td>
</tr>
<tr>
<td>2. AMENDMENTS</td>
<td>3</td>
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<tr>
<td>3. COUNTERPARTS</td>
<td>3</td>
</tr>
<tr>
<td>4. GOVERNING LAW AND JURISDICTION</td>
<td>3</td>
</tr>
</tbody>
</table>
THIS DEED OF AMENDMENT is made on 27 February 2019

BETWEEN

(1) KADI GROUP HOLDING LIMITED having its registered office at Geneva Place, Waterfront Drive, P.O. Box 3469, Road Town, Tortola, British Virgin Islands and a company number of 1942039 (“JD”); 

(2) JOSÉ NEVES of # .......................................................... (the “Founder Shareholder”); and 

(3) TGF PARTICIPATIONS LIMITED having its registered office at Grosvenor House, 66-67 Athol Street, Douglas, Isle of Man IM1 1JE and a company number of 0077463V (the “Trustee Shareholder” and together with the Founder Shareholder, the “Shareholders”).

WHEREAS

(A) The parties hereto entered into a commitment agreement on 21 June 2017 relating to the Company (the “Agreement”), which was subsequently amended pursuant to a deed of amendment dated 8 August 2018.

(B) The parties wish to amend the Agreement on the basis set out in this deed of amendment, in accordance with clause 7.3 therein.

(C) This deed of amendment is supplemental to and should be read in conjunction with, and construed as one document with, the Agreement.

IT IS AGREED THAT

1. DEFINITIONS AND INTERPRETATION

Terms used in this deed of amendment shall, unless otherwise defined herein or the context otherwise requires, bear the meaning ascribed to them in the Agreement.

2. AMENDMENTS

2.1 Each of the parties to this deed of amendment hereby agrees that with effect from the date hereof the Agreement shall be amended in accordance with the changes shown in the revised conformed copy thereof attached at Schedule 1.

2.2 Each of the parties to this deed of amendment hereby acknowledges that, in accordance with clause 7.3 of the Agreement, any variation or amendment of the Agreement shall be valid, effective and binding upon all parties if it is in writing and duly signed by or on behalf of the parties.

3. COUNTERPARTS

This deed of amendment may be executed in any number of counterparts. Each counterpart shall constitute an original of this deed of amendment but all the counterparts together shall constitute but one and the same instrument.

4. GOVERNING LAW AND JURISDICTION

4.1 This deed of amendment and any non-contractual rights or obligations arising out of or in connection with it shall be governed by and construed in accordance with the laws of England and Wales.
4.2 The parties irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any Disputes, and waive any objection to proceedings before such courts on the grounds of venue or on the grounds that such proceedings have been brought in an inappropriate forum.

4.3 For the purposes of this Clause, “Dispute” means any dispute, controversy, claim or difference of whatever nature arising out of, relating to, or having any connection with this amendment agreement, including a dispute regarding the existence, formation, validity, interpretation, performance or termination of this amendment agreement or the consequences of its nullity and also including any dispute relating to any non-contractual rights or obligations arising out of, relating to, or having any connection with this amendment agreement.
SCHEDULE 1
27 February 2019

KADI GROUP HOLDING LIMITED

and

JOSÉ NEVES

and

TGF PARTICIPATIONS LIMITED

______________________________

AMENDED AND RESTATED
COMMITMENT AGREEMENT

______________________________

LATHAM & WATKINS
99 Bishopsgate
London EC2M 3XF
United Kingdom
Tel: +44.20.7710.1000
www.lw.com
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THIS AGREEMENT (amending and restating the Commitment Agreement made on 21 June 2017 and subsequently amended on 8 August 2018) is made as a deed on 27 February 2019 and is made between:

(1) **KADI GROUP HOLDING LIMITED** having its registered office at Geneva Place, Waterfront Drive, P.O. Box 3469, Road Town, Tortola, British Virgin Islands and a company number of 1942039 (“ **JD** ”);

(2) **José Neves** of # # # # # # # # # # (the “ **Founder Shareholder** ”); and

(3) **TGF Participation Limited** having its registered office at Grosvenor House, 66-67 Athol Street, Douglas, Isle of Man IM1 1JE and a company number of 0077463V (the “ **Trustee Shareholder** ” and together with the Founder Shareholder, the “ **Shareholders** ”),

(each a “ **Party** ” and together the “ **Parties** ”).

WHEREAS

(A) As of the date of this Agreement, the Trustee Shareholder is the owner of an aggregate of 42,858,080 Class B ordinary shares of the share capital of the Company.

(B) The Shareholders have agreed to enter into this Agreement in order to provide certain commitments to JD.

IT IS AGREED AS FOLLOWS:

1. **DEFINITIONS AND INTERPRETATION**

1.1 In this Agreement, unless the context otherwise requires:

   “ **Affiliate** ” means, with respect to any person, any other person that directly or indirectly controls or is controlled by the subject person or together with the subject person is jointly controlled by any third party. “ **control** ” (including, its correlative meanings “controlled by”) means a person directly or indirectly owns at least 50% of the equity interests or voting rights of such subject person, or directly or indirectly has an actual discretion or controlling power over the operation of such subject person by entry into contractual arrangements or by other means. With respect to any person, its “Affiliates” includes the Subsidiaries, whether directly or indirectly owned, that are controlled by it (including the PRC domestic affiliate companies controlled by such person through a variable interest entity structure);

   “ **Business Day** ” means a day (other than a Saturday or Sunday) on which English clearing banks are open for the transaction of normal banking business in the City of London;

   “ **Company** ” means Farfetch Limited, a company incorporated in the Cayman Islands with registered number 336922 whose registered office is at Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands;

   “ **Dispute** ” means any dispute, controversy, claim or difference of whatever nature arising out of, relating to, or having any connection with this Agreement, including a dispute regarding the existence, formation, validity, interpretation, performance or termination of this Agreement or the consequences of its nullity and also including any dispute relating to any non-contractual rights or obligations arising out of, relating to, or having any connection with this Agreement;
“Encumber” means the action of imposing one or more of the following over an asset: any mortgage, charge, security interest, lien, pledge, assignment by way of security, equity, claim, right of pre-emption, option, covenant, restriction, reservation, lease, trust, order, decree, judgment, title defect (including retention of title claim), conflicting claim of ownership or any other encumbrance of any nature whatsoever (whether or not perfected other than liens arising by operation of law);

“Family Relation” means in relation to a Shareholder: (a) the husband or wife or the widower or widow of such Shareholder; (b) all the lineal descendants and lineal heirs in direct line of such Shareholder; (c) the brothers and sisters of such Shareholder; and (d) a husband or wife or widower or widow of any of the persons referred to in paragraphs (a), (b) and (c) above, and for these purposes a step-child or adopted child or illegitimate child of any person shall be deemed to be his or her lineal descendant;

“Family Trust” means, in relation to the Shareholders, a trust, whether arising under: (a) a settlement inter vivos; (b) a testamentary disposition made by any person; (c) intestacy; or (d) otherwise, in respect of which no beneficial interest in shares is for the time being vested in any person other than the relevant Shareholder or a Family Relation of the relevant Shareholder and no power or control over the voting powers conferred by those shares is for the time being exercisable by or subject to the consent of any person other than the trustees of that trust or such Shareholder or a Family Relation of such Shareholder;

“Forward Purchase Agreement” means the forward purchase agreement between JD and Fafetch.com Limited, adhered to by the Company (as amended from time to time);

“Group” means the Company and its Subsidiaries and Subsidiary undertakings;

“Initial Shareholding” means 8,201,006 series G preferred shares in the capital of Farfetch.com Limited held by JD as at 21 June 2017;

“IPO” means the initial public offering of the Company, which occurred on 25 September 2018;

“Laws” means all applicable legislation, statutes, directives, regulations, judgments, decisions, decrees, orders, instruments, by-laws, and other legislative measures or decisions having the force of law, treaties, conventions and other agreements between states, or between states and the European Union or other supranational bodies, rules of common law, customary law and equity and all civil or other codes and all other laws of, or having effect in, any jurisdiction from time to time;

“Lead Investors” means DST Global IV, L.P., Farhold (Luxembourg) S.à r.l., Conde Nast International Limited, Advent Private Equity Fund IV, Index Ventures (Jersey), L.P., Newsnight Investment Holdings I Ltd, Newsight Investment Holdings II Ltd, Legendre Holding 51 SAS and Republic Technologies Pte Ltd;

“Lock-up Period” means the period commencing on 25 September 2018 and ending on the second anniversary thereof;

“Lock-up Shares” has the meaning given in Clause 3.1;

“Subsidiary” with respect to any person, means any other person, whether or not existing on the date hereof, in which the specified person directly or indirectly through subsidiaries or otherwise, beneficially owns at least fifty percent (50%) of either the equity interest or voting power of or in such other person or otherwise controls such other person, whether through contract or otherwise (including, for the avoidance of doubt, any variable interest entities that are consolidated into the financial statements of such person); and
1.2 In this Agreement, unless the context otherwise requires:

(a) references to clauses and sub-clauses are references to Clauses and Sub-Clauses of this Agreement;

(b) references to the singular shall include the plural and vice versa and references to one gender include any other gender;

(c) references to a “Party” includes its successors in title, personal representatives and permitted assigns;

(d) references to a “person” includes any individual, partnership, body corporate, corporation sole or aggregate, state or agency of a state, and any unincorporated association or organisation, in each case whether or not having separate legal personality;

(e) references to a “company” includes any company, corporation or other body corporate wherever and however incorporated or established;

(f) references to times of the day are to London time unless otherwise stated;

(g) references to writing shall include any modes of reproducing words in a legible and non-transitory form;

(h) references to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court official or any other legal concept or thing shall in respect of any jurisdiction other than England be deemed to include what most nearly approximates in that jurisdiction to the English legal term;

(i) words introduced by the word “other” shall not be given a restrictive meaning because they are preceded by words referring to a particular class of acts, matters or things; and

(j) general words shall not be given a restrictive meaning because they are followed by words which are particular examples of the acts, matters or things covered by the general words and the words “includes” and “including” shall be construed without limitation.

1.3 The headings in this Agreement are inserted for convenience only and shall not affect the construction of this Agreement.

1.4 References to this Agreement include this Agreement as amended or varied in accordance with its terms.

2. VOTING AGREEMENT

2.1 For so long as:

(a) any class of shares of the Company remain listed on the New York Stock Exchange; and

(b) JD (and/or its Affiliates) holds no less than 33,658,328 ordinary class A shares in the capital of the Company (subject to an appropriate adjustment for any share split, consolidation or similar event);
the Shareholders agree to exercise all voting rights held by them and attaching to the shares in the Company (to the extent possible by the exercise of such voting rights and otherwise as restricted by Law) so as to vote in favour of any shareholder resolution proposing to appoint Professor Jianwen Liao or another senior executive of JD designated by JD (provided that the appointment of such person is subject to the recommendation of the appointment by Company’s Nomination and Governance Committee, acting reasonably and in accordance with the Company’s corporate governance documents from time to time) as a director of the Company. In addition, the Founder Shareholder shall use all reasonable endeavours to seek commitment from the other Lead Investors to support Professor Jianwen Liao (or another senior executive of JD appointed in accordance with this Clause 2.1) remaining as a director of the Company following her / his appointment.

3. LOCK UP

3.1 In the event that JD continues to hold all of the shares in the capital of the Company held by it prior to the IPO, the Shareholders shall (in aggregate):

(a) subject to the foregoing, retain all of the shares in the Company held by him / it immediately prior to the time of the IPO (the “Lock-up Shares”) for the duration of the Lock-up Period, provided that up to the lower of: (i) three percent. (3%) of the share capital of the Company immediately prior to the time of the IPO; or (ii) twenty percent. (20%) of the shares in the Company held by him / it immediately prior to the time of the IPO, shall not constitute “Lock-up Shares” and therefore will not be subject to any such restrictions during the Lock-up Period;

(b) not, during the Lock-up Period, transfer, Encumber, mortgage, charge or otherwise dispose of the whole or any part of its interest in, or grant any option or other rights over, any Lock-up Shares (other than those shares not subject to such restrictions pursuant to (a)(i) or (ii) above) to any person or publicly disclose an intention to do any of the foregoing or make any demand for, or exercise any right with respect to, the registration of the Lock-up Shares, other than transfers of the Lock-up Shares: (A) to any Family Trust for the purpose of bona fide estate planning, (B) in connection with the cashless exercise of stock options solely in the case of termination of employment or board service following death, disability or other than for cause, (C) in connection with a tender offer, merger, consolidation or other similar transaction or offer involving a change of control of the Company made to all holders of shares in the capital of the Company or (D) with the prior consent of JD; and

(c) have regard to the recommendation of the Company’s underwriters or brokers on the IPO or any subsequent registered securities offering in determining their respective sale of shares in connection with the IPO or subsequent registered securities offering and shall make such determination with a view to ensuring the success of the IPO or subsequent securities offering.

3.2 In the event that:

(a) JD is in breach (which is not remedied within 30 days of written notification of such breach by the Shareholders to JD) of Clause 3.4 of the Forward Purchase Agreement, the provisions of Clause 3.1 of this Agreement shall terminate and immediately cease and determine and no longer be binding on the Shareholders; or

(b) the provisions of Clause 3.4 of the Forward Purchase Agreement terminate and are no longer binding on JD, the provisions of Clause 3.1 of this Agreement shall terminate and immediately cease and determine and no longer be binding on the Shareholders,
in both instances other than any breach which itself has occurred due to a breach occurring under or pursuant to Clause 3.5.2 of the Forward Purchase Agreement.

4. **CONFIDENTIALITY**

Neither the Company nor the Shareholders shall make any public statement in relation to this Agreement or disclose any information contained in it or the transactions contemplated hereby save for:

(a) any public statement or disclosure made by the Company in connection with the IPO;

(b) any public statement or disclosure made by the Company or the Shareholders required by Law. If the Company or the Shareholders (as the case may be) reasonably believes that this Sub-Clause (b) applies, it shall, as far as it is practicable and lawful to do so, first consult with the other Party to give them an opportunity to contest the public statement or disclosure and then take into account the Company or the Shareholders’ (as the case may be) reasonable requirements about the proposed form, timing, nature and extent of the public statement or disclosure; and

(c) any public statement or disclosure made with the written consent of the other Party.

5. **TERMINATION**

5.1 This Agreement may be terminated by the mutual written consent of the Shareholders and JD.

5.2 In the event of termination of this Agreement as provided in Clause 5.1, this Agreement shall forthwith become void and of no further force or effect (except for Clauses 4 and 5.3, which shall survive such termination) and there shall be no liability on the part of any Party (or any shareholder, director, officer, employee, agent, consultant or representative of such Party) except that nothing herein shall relieve any Party from liability for any breach of this Agreement at or prior to termination.

6. **ENTIRE AGREEMENT AND REMEDIES**

6.1 This Agreement and any documents expressed to be entered into in connection with them, sets out the entire agreement between the Parties relating to the subject matter of this Agreement and, save to the extent expressly set out in this Agreement, supersedes and extinguishes any prior drafts, agreements, undertakings, representations, warranties, promises, assurances and arrangements of any nature whatsoever, whether or not in writing, relating thereto. This Clause 6 shall not exclude any liability for or remedy in respect of fraudulent misrepresentation.

6.2 The rights, powers, privileges and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers, privileges or remedies provided by Law.

7. **WAIVER AND VARIATION**

7.1 A failure or delay by a Party to exercise any right or remedy provided under this Agreement or Law, whether by conduct or otherwise, shall not constitute a waiver of that or any other right or remedy, nor shall it preclude or restrict any further exercise of that or any other right or remedy. No single or partial exercise of any right or remedy provided under this Agreement or by Law, whether by conduct or otherwise, shall preclude or restrict the further exercise of that or any other right or remedy.

7.2 A waiver of any right or remedy under this Agreement shall only be effective if given in writing and shall not be deemed a waiver of any subsequent breach or default. A Party that
waives a right or remedy provided under this Agreement or by Law in relation to another Party does not affect its rights in relation to any other Party.

7.3 Unless otherwise specified in this Agreement, any variation or amendment of this Agreement or any of the documents referred to in it shall be valid, effective and binding upon all Parties if it is in writing and duly signed by or on behalf of the Parties.

7.4 Unless expressly agreed, no variation or amendment shall constitute a general waiver of any provision of this Agreement, nor shall it affect any rights or obligations under or pursuant to this Agreement which have already accrued up to the date of variation or amendment and the rights and obligations under or pursuant to this Agreement shall remain in full force and effect except and only to the extent that they are varied or amended.

8. INVALIDITY

If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable under the laws of any jurisdiction, this shall not affect:

(a) the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or

(b) the legality, validity or enforceability under the laws of any other jurisdiction of that or any other provision of this Agreement,

the Parties shall negotiate in good faith to replace such provision with a legal, valid and enforceable provision which, as far as possible, has the same commercial effect as the provision which it replaces.

9. ASSIGNMENT

No Party shall assign, transfer, charge or otherwise deal with all or any of its rights under this Agreement nor grant, declare, create or dispose of any right or interest in it.

10. NOTICES

10.1 Any notice or other communication given under this Agreement or in connection with the matters contemplated herein shall, except where otherwise specifically provided, be in writing in the English language, addressed as provided in Clause 10.2 and served:

(a) by leaving it at the relevant address in which case it shall be deemed to have been given upon delivery to that address;

(b) by air courier, in which case it shall be deemed to have been given two Business Days after its delivery to a representative of the courier unless evidence of receipt is received earlier; or

(c) by e-mail, in which case it shall be deemed to have been given two hours following despatch unless evidence of receipt is received earlier (other than by an automated reply generated in response to such email),

provided that in the case of Sub-Clause (c) any notice despatched other than between the Working Hours shall be deemed given at the start of the next period of Working Hours.
Notices under this Agreement shall be sent for the attention of the person and to the address, or e-mail address, subject to Clause 10.3, as follows:

To JD by notice to:

Attn: Legal Department  (Mergers and Acquisitions Team)
Address: 21/F, Building A, No.18 Kechuang 11th Street, Yizhuang Economic and Technological Development Zone, Daxing District, Beijing 101111, PRC

Email: #################################

With a copy to (such copy not constituting notice):

Attn: Jie Jeffrey Sun
Address: 21/F, Building A, No.18 Kechuang 11th Street, Yizhuang Economic and Technological Development Zone, Daxing District, Beijing 101111, PRC
Email: #################################

To the Founder Shareholder by notice to:

Attn: James Maynard
Address: Farfetch, The Bower, 4th Floor, 211 Old Street, London
Email: #################################

With a copy to:

Attn: Josh Kiernan and Robbie McLaren, c/o Latham & Watkins (London) LLP
Address: 99 Bishopsgate, London EC2M 3XF, United Kingdom
Email: #################################; #################################

To the Trustee Shareholder by notice to:

Address: TGF Participations Limited, Grosvenor House, 66-67 Athol Street, Douglas, Isle of Man IM1 1JE
Email: #################################

With a copy to:

Attn: Josh Kiernan and Robbie McLaren, c/o Latham & Watkins (London) LLP
Address: 99 Bishopsgate, London EC2M 3XF, United Kingdom
Email: #################################; #################################

Any Party to this Agreement may notify the other Party of any change to its address or other details specified in Clause 10.2 provided that such notification shall only be effective on the
date specified in such notice or five (5) Business Days after the notice is given, whichever is later.

11. **COSTS**

Each Party shall bear its or his own costs and expenses in relation to the preparation, negotiation and completion of this Agreement and any documents referred to herein, and the implementation of such documents.

12. **RIGHTS OF THIRD PARTIES**

A person who is not a Party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

13. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts. Each counterpart shall constitute an original of this Agreement but all the counterparts together shall constitute but one and the same instrument.

14. **GOVERNING LAW AND JURISDICTION**

14.1 This Agreement and any non-contractual rights or obligations arising out of or in connection with it shall be governed by and construed in accordance with the laws of England and Wales.

14.2 The Parties irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any Disputes, and waive any objection to proceedings before such courts on the grounds of venue or on the grounds that such proceedings have been brought in an inappropriate forum.
IN WITNESS WHEREOF each Party has executed and delivered this Agreement as a deed on the date which first appears in this Agreement or caused this Agreement to be executed by its duly authorised representatives as a deed on the date which first appears in this Agreement.

Executed and delivered as a Deed
By KADI GROUP HOLDING LIMITED
acting by Wang Nani, a director
/s/ Wang Nani
in the presence of the following witness:
Witness signature: /s/ Gao Jing
Name: Gao Jing
Address: #######, ###
Occupation: Legal Counsel

Executed and delivered as a Deed
by JOSÉ NEVES
/s/ José Neves
in the presence of the following witness:
Witness signature: /s/ Holly Sage
Name: Holly Sage
Address: c/o The Bower, 211 Old Street, London EC1V 9NR
Occupation: Head of Legal (Corporate/Commercial)

Executed and delivered as a Deed
By TGF PARTICIPANTS LIMITED
acting by Theunis John Bassage, a director
of Wilton Directors (IOM), the corporate director
of TGF Participants Limited
/s/ Theunis John Bassage
in the presence of the following witness:
Witness signature: /s/ Nelly Christian
Name: Nelly Christian
Address: #################################################### , #######, ### ###
Occupation: Compliance Officer
This **DEED OF AMENDMENT** has been executed and is delivered and takes effect on the date stated at the beginning of it.

Executed and delivered as a Deed
By **KADI GROUP HOLDING LIMITED**
acting by Wang Nani, a director

/s/ Wang Nani

in the presence of the following witness:
Witness signature: /s/ Gao Jing
Name: Gao Jing
Address: #######, ###
Occupation: Legal Counsel

Executed and delivered as a Deed
by **JOSÉ NEVES**

/s/ José Neves

in the presence of the following witness:
Witness signature: /s/ Holly Sage
Name: Holly Sage
Address: c/o The Bower, 211 Old Street, London EC1V 9NR
Occupation: Head of Legal (Corporate/Commercial)

Executed and delivered as a Deed
By **TGF PARTICIPANTS LIMITED**
acting by Theunis John Bassage, a director of Wilton Directors (IOM), the corporate director of TGF Participants Limited

/s/ Theunis John Bassage

in the presence of the following witness:
Witness signature: /s/ Nelly Christian
Name: Nelly Christian
Address: ########################, ####### ### ###
Occupation: Compliance Officer
### Subsidiaries of Farfetch Limited
(as of December 31, 2018)

<table>
<thead>
<tr>
<th>Legal Name of Subsidiary</th>
<th>Jurisdiction of Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farfetch.com Ltd</td>
<td>Isle of Man</td>
</tr>
<tr>
<td>Farfetch UK Limited</td>
<td>England &amp; Wales</td>
</tr>
<tr>
<td>FFBR importacao e exportacao LTDA</td>
<td>Brazil</td>
</tr>
<tr>
<td>Farfetch.com Brasil Servicos LTDA</td>
<td>Brazil</td>
</tr>
<tr>
<td>Farfetch.com US LLC</td>
<td>United States</td>
</tr>
<tr>
<td>Fashion Concierge Powered By Farfetch, LLC</td>
<td>United States</td>
</tr>
<tr>
<td>Farfetch Portugal-Unipessoal LDA</td>
<td>Portugal</td>
</tr>
<tr>
<td>Farfetch HK Holdings Limited</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Browns (South Molton Street) Limited</td>
<td>England &amp; Wales</td>
</tr>
<tr>
<td>Farfetch Japan Co., Ltd</td>
<td>Japan</td>
</tr>
<tr>
<td>LASO.CO.LTD</td>
<td>Japan</td>
</tr>
<tr>
<td>Farfetch China (HK Holdings) Limited</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Farfetch (Shanghai) E-Commerce Co., Ltd</td>
<td>China</td>
</tr>
<tr>
<td>Farfetch HK Production Limited</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Farfetch Store of the Future Limited</td>
<td>England &amp; Wales</td>
</tr>
<tr>
<td>Fashion Concierge UK Limited</td>
<td>England &amp; Wales</td>
</tr>
<tr>
<td>F&amp;C Fashion Concierge, LDA</td>
<td>Portugal</td>
</tr>
<tr>
<td>Farfetch Black &amp; White Limited</td>
<td>England &amp; Wales</td>
</tr>
<tr>
<td>Farfetch International Limited</td>
<td>Isle of Man</td>
</tr>
<tr>
<td>Farfetch México, S.A. de C.V.</td>
<td>Mexico</td>
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<tr>
<td>Farfetch India Private Limited</td>
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<tr>
<td>Farfetch Middle East FZE</td>
<td>United Arab Emirates</td>
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<tr>
<td>Farfetch Italia S.R.L.</td>
<td>Italy</td>
</tr>
<tr>
<td>Farfetch Australia Pty Ltd</td>
<td>Australia</td>
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<tr>
<td>Farfetch US Holdings, INC</td>
<td>United States</td>
</tr>
<tr>
<td>Fashion Concierge HK Limited</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Farfetch Finance Limited</td>
<td>England &amp; Wales</td>
</tr>
<tr>
<td>Yankee Merger Sub, LLC</td>
<td>United States</td>
</tr>
</tbody>
</table>
CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, José Neves, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 20-F of Farfetch Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and

5. The company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: February 25, 2019
By: __________________________ /s/ José Neves

Chief Executive Officer
CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Elliot Jordan, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 20-F of Farfetch Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and

5. The company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: February 25, 2019

By: ________________________ /s/ Elliot Jordan

Chief Financial Officer
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Farfetch Limited for the year ended December 31, 2018 (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, José Neves, Chief Executive Officer, certify that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2019

By: __________________________  /s/ José Neves

Chief Executive Officer
The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Farfetch Limited for the year ended December 31, 2018 (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Elliot Jordan, Chief Financial Officer, certify that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2019

By: /s/ Elliot Jordan

Chief Financial Officer
We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-227536) of Farfetch Limited of our report dated March 1, 2019 relating to the financial statements, which appears in this Form 20-F.

/s/PricewaterhouseCoopers LLP
London, United Kingdom
March 1, 2019