
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ **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, 2019

OR

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

For the transition period from _____ to _____

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

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)

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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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A ordinary shares, par value \$0.04 per share	FTCH	New York Stock Exchange

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 the period covered by the annual report.
296,740,928 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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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We report under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”). None of our consolidated 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 below.

The Reorganization Transaction

To effect the reorganization, all holders of warrants over Farfetch.com shares, except a holder of 189,995 warrants that remained 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. The 189,995 warrants outstanding were all exercised in the year ending December 31, 2019.

General Information

Our consolidated financial statements are reported in U.S. Dollars, which are denoted “dollars,” “USD” or “\$” throughout this Annual Report on Form 20-F (“Annual Report”). 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.

- “consumer” means a person who browses and/or completes a purchase on the Farfetch Marketplace and/or the Stadium Goods Marketplace (as applicable).
- “E-concession” means the retail distribution by brands via the operation of concessions on multi-brand digital platforms, such as when brands sell directly to consumers via the Farfetch Marketplace.
- “FPS” means Farfetch Platform Solutions, our comprehensive modular white-label business to business e-commerce solution for brands and retailers.
- “Farfetch Marketplace,” is as defined in Item 4. “Information on the Company — B. Business Overview.”
- “first-party sales” means sales on our platform of inventory directly purchased by us.
- “Group” means Farfetch Limited and its consolidated subsidiaries.
- “JD.com” means JD.com Inc.
- “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.
- “Marketplaces” means the Farfetch Marketplace and Stadium Goods Marketplace.
- “New Guards” is as defined in Item 4. “Information on the Company — B. Business Overview.” It refers to New Guards Group Holding S.p.A., which we acquired in August 2019.
- “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.
- “Stadium Goods Marketplace” is as defined in Item 4. “Information on the Company — B. Business Overview.”
- “stock value” means the combined amount of all stock units available on the Farfetch Marketplace and/or the Stadium Goods Marketplace by each item’s retail unit price.
- “Third-Party Take Rate” means Digital Platform Services Revenue excluding revenue from first-party sales, as a percentage of Digital Platform GMV excluding GMV from first-party sales and Digital 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.

Market and Industry Data

We obtained industry, market and competitive position data in this Annual Report from our own internal estimates, surveys and research as well as from publicly available information, industry and general publications and research, surveys and studies conducted by third parties such as public reports by Bain & Company (“Bain”). Information contained in the Annual Report attributable to Bain, is from “Bain-Altgamma Luxury Study 2019” (Spring 2019 or November 2019 update).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This 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 Marketplaces 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 acquisition and integration of other companies or technologies, for example, Stadium Goods and New Guards, could divert management’s attention and otherwise disrupt our operations and harm our operating results;
- we may be unsuccessful in integrating any acquired businesses or realizing any anticipated benefits of such acquisitions;
- 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;
- our ability to successfully operate retail stores; 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.

PART I

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, 2018, and 2019 and for year ended December 31, 2015 has been derived from our consolidated financial statements and the notes thereto (our consolidated financial statements as of December 31, 2017, for the fiscal year ended 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 consolidated 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 consolidated financial statements are the same as Farfetch.com's consolidated financial statements, as adjusted for the Reorganization Transactions. Following the Reorganization Transactions, we have retroactively reflected the Reorganization Transactions in Farfetch Limited's consolidated 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 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.

	Year ended December 31,				
	2015	2016	2017	2018	2019
	(in thousands, except share and per share data)				
Consolidated Statement of Operations Data:					
Revenue	\$ 142,305	\$ 242,116	\$ 385,966	\$ 602,384	\$ 1,021,037
Cost of revenue	(69,702)	(125,238)	(181,200)	(303,934)	(561,191)
Gross profit	72,603	116,878	204,766	298,450	459,846
Selling, general and administrative expenses	(130,073)	(197,003)	(295,960)	(471,766)	(869,609)
(Losses)/gains on items held at fair value	-	(8,555)	(3,300)	-	21,721
Share of profits of associates	-	18	31	33	366
Operating loss	(57,470)	(88,662)	(94,463)	(173,283)	(387,676)
Net finance (costs)/income	(4,265)	7,402	(17,642)	19,866	15,150
Loss before tax	(61,735)	(81,260)	(112,105)	(153,417)	(372,526)
Income tax credit/(expense)	628	(199)	(170)	(2,158)	(1,162)
Loss after tax	<u>\$ (61,107)</u>	<u>\$ (81,459)</u>	<u>\$ (112,275)</u>	<u>\$ (155,575)</u>	<u>\$ (373,688)</u>
Loss per share attributable to owners of the parent:					
Basic and diluted	\$ (0.35)	\$ (0.43)	\$ (0.50)	\$ (0.59)	\$ (1.21)
Weighted average shares outstanding:					
Basic and diluted	171,929,007	188,679,490	223,465,734	264,432,214	318,843,239
Consolidated Statement of Cash Flow Data:					
Net cash outflow from operating activities	\$ (37,258)	\$ (47,079)	\$ (59,320)	\$ (116,205)	\$ (115,383)
Net cash outflow from investing activities	(27,571)	(16,961)	(28,863)	(63,538)	(594,762)
Net cash inflow from financing activities	\$ 77,414	\$ 161,173	\$ 300,142	\$ 859,526	\$ (15,249)

	As of December 31,			
	2016	2017	2018	2019
	(in thousands)			
Consolidated Statement of Financial Position Data:				
Current assets	\$ 180,904	\$ 452,792	\$ 1,199,410	\$ 645,330
Non-current assets	64,128	110,266	151,983	1,582,549
Total assets	245,032	563,058	1,351,393	2,227,879
Current liabilities	89,425	155,890	194,158	467,998
Non-current liabilities	36,691	10,265	28,804	422,049
Total liabilities	126,116	166,155	222,962	890,047
Share capital and premium	348,832	686,972	784,294	891,591
Total equity	\$ 118,916	\$ 396,903	\$ 1,128,431	\$ 1,337,832

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”. Our historical results for any prior period do not necessarily indicate our results to be expected for any future period.

	Year ended December 31,				
	2015	2016	2017	2018	2019
	(in thousands, except per share data and AOV)				
Selected Other Data:					
Consolidated Group:					
GMV (1)	\$ 381,809	\$ 585,842	\$ 909,826	\$ 1,407,698	\$ 2,139,699
Revenue	142,305	242,116	385,966	602,384	1,021,037
Adjusted Revenue (1)	113,688	193,605	311,784	504,590	893,077
Gross Profit	72,603	116,878	204,766	298,450	459,846
Gross Profit Margin	51.0%	48.3%	53.1%	49.5%	45.0%
Loss After Tax	\$ (61,107)	\$ (81,459)	\$ (112,275)	\$ (155,575)	\$ (373,688)
Adjusted EBITDA (1)	(47,375)	(53,380)	(58,079)	(95,960)	(121,376)
Adjusted EBITDA Margin (1)	(41.7%)	(27.6%)	(18.6%)	(19.0%)	(13.6%)
Earnings Per Share (“EPS”)	\$ (0.35)	\$ (0.43)	\$ (0.50)	\$ (0.59)	\$ (1.21)
Adjusted EPS (1)	(0.31)	(0.27)	(0.39)	(0.38)	(0.56)
Digital Platform:					
Digital Platform GMV (1)	\$ 374,915	\$ 573,174	\$ 894,392	\$ 1,392,103	\$ 1,947,868
Digital Platform Services Revenue	106,794	180,937	296,350	488,995	701,246
Digital Platform Gross Profit	69,355	111,762	196,581	291,706	371,913
Digital Platform Gross Profit Margin (1)	64.9%	61.8%	66.3%	59.7%	53.0%
Digital Platform Order Contribution (1)	\$ 35,197	\$ 63,381	\$ 127,379	\$ 194,411	\$ 220,563
Digital Platform Order Contribution Margin (1)	33.0%	35.0%	43.0%	39.8%	31.5%
Active Consumers (1)	416	652	936	1,382	2,068
Average Order Value - Marketplace (1)	\$ 587	\$ 584	\$ 620	\$ 619	\$ 608
Average Order Value - Stadium Goods (1)	-	-	-	-	315
Brand Platform:					
Brand Platform GMV (1)	\$ -	\$ -	\$ -	\$ -	\$ 164,210
Brand Platform Revenue	-	-	-	-	164,210
Brand Platform Gross Profit	-	-	-	-	75,007
Brand Platform Gross Profit Margin	-	-	-	-	45.7%

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

Non-IFRS and Other Financial and Operating Metrics

Changes to Metrics

We previously defined Active Consumers as active consumers on the Farfetch Marketplace. Following the acquisition of Stadium Goods on January 4, 2019, which is now included in our consolidated results, we have multiple marketplaces within our consolidated group. As a result, Stadium Goods is now included in Active Consumers, and for completeness we now include BrownsFashion.com, a directly owned and operated site, within Active Consumers as well. Active Consumers does not currently include those generated from New Guards owned and operated sites.

We also believe it is more useful to present AOV for both Farfetch Marketplace and Stadium Goods, as they operate at two different price points. We have presented these as separate metrics from January 4, 2019, being the acquisition date of Stadium Goods.

In addition, we no longer believe “Number of Orders” on the Farfetch Marketplace provides a meaningful view of business performance, and we will not report this metric going forward.

Following our acquisition of New Guards in August 2019 and its inclusion in our consolidated results, we are reporting metrics related to our Brand Platform operations. Brand Platform GMV and Brand Platform Revenue include revenue related to the New Guards' operations less revenue from New Guards owned e-commerce websites, direct-to-consumer channel via our Marketplaces and directly operated stores. Revenue realized from Brand Platform is equal to GMV, as such sales are not commission based. As we acquired New Guards in August 2019, our third quarter 2019 results only reflect two months of New Guards' performance.

The introduction of the term "Digital Platform" with reference to GMV, Revenue and other metrics is intended to distinguish between activities that occurred through our owned and operated e-commerce platforms (e.g. Farfetch.com, BrownsFashion.com, off---white.com) and the Brand Platform operations of New Guards, where GMV and Revenue are derived from the our transactions with independent third party retailers or wholesalers. Such metrics were previously referred to as "Platform." No changes have been made to how we calculate the Digital Platform metrics from how we calculated Platform metrics.

Non-IFRS and Other Financial and Operating Metrics

We have included in this Annual Report certain financial measures not based on IFRS, including Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EPS, Adjusted Revenue, Digital Platform Gross Profit Margin, Digital Platform Order Contribution, and Digital Platform Order Contribution Margin (together, the "Non-IFRS Measures"), as well as operating metrics, including GMV, Digital Platform GMV, Brand Platform GMV, In-Store GMV, Active Consumers and Average Order Value.

Management uses the Non-IFRS Measures:

- 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.

The Non-IFRS Measures may not be comparable to similar measures disclosed by other companies, because not all companies and analysts calculate these measures in the same manner. We present the Non-IFRS Measures 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 the Non-IFRS 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 the Non-IFRS 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.

Digital Platform Order Contribution and Digital Platform Order Contribution Margin are not measurements of our financial performance under IFRS and do not purport to be alternatives to gross profit or loss after tax derived in accordance with IFRS. We believe that Digital Platform Order Contribution and Digital Platform Order Contribution Margin are useful measures in evaluating our operating performance within our industry because they permit the evaluation of our digital platform productivity, efficiency and performance. We also believe that Digital Platform Order Contribution and Digital 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 digital platform for the periods presented.

Items excluded from the Non-IFRS Measures are significant components in understanding and assessing financial performance. The Non-IFRS Measures 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 and Adjusted 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 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 the 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 our directly owned and operated sites and related apps. A consumer is deemed to be active if they made a purchase within the last 12-month period, irrespective of cancellations or returns. Active Consumers includes Farfetch Marketplace, BrownsFashion.com and Stadium Goods. Due to technical limitations, Active Consumers is unable to fully de-dupe Stadium Goods consumers from Farfetch Marketplace or BrownsFashion.com consumers. Active Consumers does not currently include those generated from New Guards owned and operated sites. 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 expense/ (income), income tax (credit)/expense and depreciation and amortization, further adjusted for share based compensation expense, share of results of associates and items outside the normal scope of our ordinary activities (including other items, within selling, general and administrative expenses, and (losses)/gains on items held at fair value through profit and loss). 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 other companies.

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

“Adjusted EPS” means earnings per share further adjusted for share based payments, amortization of acquired intangible assets, items outside the normal scope of our ordinary activities (including other items, within selling, general and administrative expenses, and (losses)/gains on items held at fair value through profit and loss) and the related tax effects of these adjustments. Adjusted EPS 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 EPS may not be comparable to other similarly titled metrics of other companies.

“Adjusted Revenue” means revenue less Digital Platform Fulfilment Revenue.

“Average Order Value” (“AOV”) means the average value of all orders excluding value added taxes placed on either the Farfetch Marketplace or the Stadium Goods Marketplace, as indicated.

“Brand Platform GMV” and **“Brand Platform Revenue”** mean revenue relating to the New Guards operations less revenue from New Guards’: (i) owned e-commerce websites, (ii) direct to consumer channel via Farfetch marketplaces and (iii) directly operated stores. Revenue realized from Brand Platform is equal to GMV as such sales are not commission based.

“Digital Platform GMV” means GMV excluding In-Store GMV and Brand Platform GMV. Digital Platform GMV was previously referred to as Platform GMV.

“Digital Platform Gross Profit Margin” means Digital Platform Gross Profit calculated as a percentage of Digital Platform Services Revenue

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

“Digital Platform Order Contribution Margin” or **“Order Contribution Margin”** means Digital Platform Order Contribution calculated as a percentage of Digital Platform Services Revenue. Digital Platform Order Contribution Margin was previously referred to as Platform Order Contribution.

“Gross Merchandise Value” (“GMV”) means the total dollar value of orders processed on our Marketplaces. 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 GMV” and **“In-Store Revenue”** mean revenue generated in our retail stores which include Browns, Stadium Goods and New Guards’ directly operated stores. Revenue realized from In-Store sales is equal to GMV of such sales because such sales are not commission based.

“Order Contribution” means gross profit after deducting demand generation expense, which includes fees that we pay for our various marketing channels to support the Digital 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.

The following table reconciles Adjusted EBITDA to the most directly comparable IFRS financial measure, which is loss after tax:

	Year ended December 31,				
	2015	2016	2017	2018	2019
	(in thousands)				
Loss after tax	\$ (61,107)	\$ (81,459)	\$ (112,275)	\$ (155,575)	\$ (373,688)
Net finance costs/(income)	4,265	(7,402)	17,642	(19,866)	(15,150)
Income tax (credit)/ expense	(628)	199	170	2,158	1,162
Depreciation and amortization	3,104	6,897	10,980	23,537	113,591
Share based payments (1)	6,505	19,848	21,486	53,819	158,422
Losses/ (gains) on items held at fair value (2)	-	8,555	3,300	-	(21,721)
Other items (3)	486	-	649	-	16,374
Share of results of associates	-	(18)	(31)	(33)	(366)
Adjusted EBITDA	<u>\$ (47,375)</u>	<u>\$ (53,380)</u>	<u>\$ (58,079)</u>	<u>\$ (95,960)</u>	<u>\$ (121,376)</u>

(1) Represents share based payment expense.

(2) Represents losses/(gains) on items held at fair value. There was a fair value remeasurement of contingent consideration of \$8.5 million in 2016 and \$3.3 million in 2017. In 2019, there was a net gain of \$21.7 million related to the revaluation of liabilities held at fair value and impacted by movements in the share price. The \$21.7 million net gain resulted from a revaluation gain from the partnership with the Chalhoub Group, partially offset by a fair value remeasurement charge for the shares issued in the acquisition of New Guards and our call option over the remaining non-controlling interest in CuriosityChina.

(3) Represents other items, which are outside the normal scope of our ordinary activities or non-cash items, including transaction-related legal and advisory expenses of \$0.5 million in 2015, \$0.6 million in 2017 and \$15.4 million in 2019. In 2019 there was also a loss on impairment of investments carried at fair value, which was partially offset by a release of tax provisions. Other items is included within selling, general and administrative expenses.

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

	Year ended December 31,				
	2015	2016	2017	2018	2019
	(in thousands)				
Revenue	\$ 142,305	\$ 242,116	\$ 385,966	\$ 602,384	\$ 1,021,037
Less: Digital Platform Fulfilment Revenue	(28,617)	(48,511)	(74,182)	(97,794)	(127,960)
Adjusted Revenue	<u>113,688</u>	<u>193,605</u>	<u>311,784</u>	<u>504,590</u>	<u>893,077</u>

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

	Year ended December 31,				
	2015	2016	2017	2018	2019
	(in thousands)				
Digital Platform Gross Profit	\$ 69,355	\$ 111,762	\$ 196,581	\$ 291,706	\$ 371,913
Less: Demand generation expense	(34,158)	(48,381)	(69,202)	(97,295)	(151,350)
Digital Platform Order Contribution	<u>\$ 35,197</u>	<u>\$ 63,381</u>	<u>\$ 127,379</u>	<u>\$ 194,411</u>	<u>\$ 220,563</u>

The following table reconciles Adjusted EPS to the most directly comparable IFRS financial performance measure, which is Earnings per share:

	Year ended December 31,				
	2015	2016	2017	2018	2019
Earnings per share	\$ (0.35)	\$ (0.43)	\$ (0.50)	\$ (0.59)	\$ (1.21)
Share based payments (1)	0.04	0.11	0.10	0.20	0.50
Amortization of acquired intangible assets	-	-	-	0.01	0.17
Losses/ (gains) on items held at fair value (2)	-	0.05	0.01	-	(0.07)
Other items (3)	-	-	-	-	0.05
Share of results of associates	-	-	-	-	-
Adjusted EPS	\$ (0.31)	\$ (0.27)	\$ (0.39)	\$ (0.38)	\$ (0.56)

(1) Represents share based payment expense on a per share basis.

(2) Represents losses/(gains) on items held at fair value. There was a fair value remeasurement of contingent consideration of \$8.5 million in 2016 and \$3.3 million in 2017. In 2019, there was a net gain of \$21.7 million related to the revaluation of liabilities held at fair value and impacted by movements in the share price. The \$21.7 million net gain resulted from a revaluation gain from the partnership with the Chalhoub Group, partially offset by a fair value remeasurement charge for the shares issued in the acquisition of New Guards and our call option over the remaining non-controlling interest in CuriosityChina.

(3) Represents other items, which are outside the normal scope of our ordinary activities or non-cash items, including transaction-related legal and advisory expenses of \$0.5 million in 2015, \$0.6 million in 2017 and \$15.4 million in 2019. In 2019 there was also a loss on impairment of investments carried at fair value, which was partially offset by a release of tax provisions. Other items is included within selling, general and administrative expenses.

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 and 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 depends, 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 the Farfetch 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 the Farfetch 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 \$602.4 million for the fiscal year ended December 31, 2018 to \$1,021.0 million for the fiscal year ended December 31, 2019, 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. For example, in 2019, we incurred significant costs in connection with our acquisitions. 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 \$112.3 million, \$155.6 million and \$373.7 million in the years ended December 31, 2017, 2018 and 2019, respectively. Our ability to generate and sustain significant additional revenues or achieve profitability will depend on, among other things, our ability to increase our levels of sales and attract consumers cost effectively, and the factors discussed elsewhere in this "Risk Factors" section. 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. Moreover, if we do achieve sustained profitability, the level of any profitability cannot be predicted and may vary significantly from period to period.

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, macroeconomic conditions impacting discretionary spending and other 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. This trend toward promotional activity intensified in 2019 (and is expected to continue at least through the second quarter of 2020), as global luxury fashion online retailers significantly increased discounting and promotions,

including earlier and larger discounts and more aggressive promotions culminating in unprecedented promotional activities in Summer 2019.

When competitors increase promotional activity, we can react to those promotions symmetrically by increasing our promotional activity, as we did during 2019, which can have a material adverse effect on our results of operations, in particular on our gross margins and order contribution metrics, our prospects and our relationship with brands and retailers. Alternatively, we can decide not to match competitors' promotional activity, which we believe improves our relationships with brands and retailers and, in turn, supply on the Farfetch Marketplace, as we began to do in the second half of 2019, but which may adversely impact on consumer demand across our platform, which in turn may impact on our overall market share capture and have a material adverse impact our business, results of operations and prospects. We may also decide not to incentivize promotional activity by our retailers by not funding, by reducing our funding, or requiring our retailers to fund in whole or part, promotional events on the Farfetch Marketplace, which could adversely impact our relationships with our retailers. When the luxury retail market experiences increased promotional activity, we may not be successful in responding in a manner that does not also adversely impact our results of operations.

Changes in consumer demand may also impact on our ability to deliver expected margin on owned inventory within our first-party businesses. 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 the Farfetch Marketplace.

We rely on a limited number of retailers and brands for the supply of products available on the Farfetch Marketplace. In the year ended December 31, 2019, 16% of our GMV was from our top ten retailers, excluding Browns. We cannot guarantee that these retailers and brands will always choose to use the Farfetch 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 for partners operating under our standard template. Other than brands in the New Guards portfolio, we cannot control whether a retailer or brand chooses to make any of its supply available on the Farfetch 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 Marketplaces 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, including Browns, Stadium Goods and the New Guards portfolio of 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 the Farfetch Marketplace may lead to lower demand for merchandise on our Marketplaces, which could cause, among other things, declines in GMV sold through the Farfetch Marketplace. If our retailers and brands, including the New Guards portfolio of brands, are not able to accurately anticipate, identify, forecast, analyze or respond to changing fashion trends and consumer 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.

In addition, New Guards' success depends in large part on the brands in its portfolio being able to originate and define fashion product trends, as well as to anticipate, gauge, and react to changing consumer demands in a timely manner. Their products must appeal to consumers worldwide whose preferences cannot be predicted with certainty and are subject to rapid change, influenced by fashion trends and current economic conditions, among

other factors. This issue is further compounded by the increasing use of digital and social media by consumers and the speed by which information and opinions are shared across the globe. We cannot assure that the brands in New Guards' current or future portfolio will be able to continue to develop appealing styles or successfully meet constantly changing consumer demands in the future. In addition, we cannot assure that any new products or brands that we introduce will be successfully received by consumers. In particular, the majority of New Guards' existing brands, including its largest brand, Off-White, are currently focused on streetwear and should consumer preferences for streetwear decline that could have a significant impact on our business. Failures of brands in the New Guards portfolio to anticipate, identify, and respond effectively to changing consumer demands and fashion trends could adversely affect retail and consumer acceptance of their products and leave us with a substantial amount of unsold inventory or missed opportunities. Conversely, if we underestimate consumer demand for these brands' products or if manufacturers fail to supply quality products in a timely manner, we may experience inventory shortages. Any of these outcomes could have a material adverse effect on our business, results of operations, and financial condition.

Retailers and brands set their own prices for the products they make available on the Farfetch 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, Stadium Goods' first-party sales and the New Guards portfolio of brands when sold direct-to-consumer via our Marketplaces), 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. Furthermore, inconsistent pricing on the Farfetch Marketplace may adversely affect a customer's shopping experience, which may encourage them to shop through other online or offline retailers. 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 the Farfetch Marketplace. Additionally, where permitted by law 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 (Regulation (EU) 2019/1150) on promoting fairness and transparency for business users of online intermediation services will enter into force on July 12, 2020. This regulation 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 from the underlying functional currencies of certain of our subsidiaries (including, following the New Guards acquisition, an increased exposure to the euro), exposing the Group to foreign exchange translation risk on consolidation. This risk is currently not hedged 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 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, mainly the pound sterling and the euro. Movements in exchange rates therefore impact our subsidiaries and thus, our consolidated results and cash flows. We hedge a portion of our core transactional exposures using forward foreign exchange contracts; however, we are exposed to fluctuations in exchange rates on the unhedged portion of the exposures that could harm our business, results of operations, financial condition and prospects. In addition, as our operational and financial forecasts drive our hedging program, should our results of operations differ materially from those forecasts, our hedging program may not be sufficient to adequately mitigate the exposure to currency risk across a given period.

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, enterprise resource planning inventory management, warehouse management 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, as well as the Browns and Stadium Goods brands and the New Guards portfolio of brands, 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, including investments in our ACCESS loyalty program. 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 intend to 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, third-party warehousing providers 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. In addition, failures by any of New Guards' brands to provide consumers with high-quality products and high-quality customer experiences for any reason could substantially harm the reputation of that brand and the New Guards portfolio of brands more generally, which could have a material adverse effect on its business, results of operations, financial condition and prospects. We also rely on third parties for information, including product characteristics and availability shown on the Farfetch 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.

There is also increased focus, including by consumers, investors, employees and other stakeholders, as well as by governmental and non-governmental organizations, on social, environmental and sustainability matters. Our reputation could be damaged if we or our suppliers do not (or are perceived not to) act responsibly regarding social, environmental and sustainability standards or, if we fail to appropriately respond to concerns raised by our consumers, investors and other interested persons, which could have a material adverse effect on our business, financial condition and results of operations.

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 2020 and 2019 there were a total of 11 interruptions and outages on our website that ranged in time from 26 minutes to five hours and 40 minutes, in which our customers experienced difficulties involving, among others, the inability to use our payment systems, the unavailability of thousands of products and our product catalogue and the inability to complete their checkout process. 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 Marketplaces 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 we grow our business, including as a result of acquisitions, and as the complexity and number of technical systems and applications we use 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 consumers password could access the consumers 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, suppliers, third-party warehousing providers, 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. Failures by these suppliers to timely prepare such products for shipment to our consumers will have an adverse effect on the fulfilment of consumer orders, which could negatively affect the customer experience and harm our business and results of operations. We rely on third-party warehousing providers to receive, store, pick, pack and ship merchandise. 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. Failures of our third-party providers to meet the service levels expected by our consumers or to deliver merchandise in optimal condition could negatively impact the customer experience, our brand reputation and our business.

In addition, New Guards sells a portion of its products to third-party distributors, which are thus responsible for sales to end consumers. The reputation of New Guards' brands' products thus rests in part on compliance by all distributors with New Guards' requirements in terms of their approach to the handling and presentation of products, marketing and communications policies and respecting brand image.

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, we would incur costs and expend resources in connection with such change and we could divert management and technology personnel and time and attention to implement the 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. Increases in shipping costs or 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 global retail industry and may be unsuccessful in competing against current and future competitors.

The global 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, marketplace, platforms 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 store, handle, and process personal data on our own information systems, as well as through arrangements with third parties and service providers. 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 govern, restrict or affect the collection, storage, sharing or use of data collected from or about individuals and their devices.

In Europe, where we have significant business operations, the data privacy and information security regime recently underwent a significant change and continues to evolve. The collection and processing of personal data is subject to increasing regulatory scrutiny in Europe and the United Kingdom. The General Data Protection Regulation ("GDPR"), which came into force on May 25, 2018, implemented more stringent operational requirements for companies, including retailers, around information practices, such as expanded disclosures to tell our consumers about how we collect and process their personal data, increased controls on profiling consumers and increased rights for consumers 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. From the beginning of 2021 (when the transitional period following the United Kingdom's withdrawal from the European Union expires), we will have to comply with the GDPR and the

UK GDPR, each regime has the ability to fine us up to the greater of €20 million (£17 million) or 4% of global turnover for non-compliance. The relationship between the United Kingdom and the European Union in relation to certain aspects of data protection law remains unclear, for example how data transfers between EU member states and the United Kingdom will be treated and the role of the Information Commissioner's Office following the end of the transitional period. These changes will lead to additional costs and increase our overall risk exposure. 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 and regulations in this area are also under reform. In the European Union, regulators are increasingly focusing on compliance with requirements in the online behavioral advertising ecosystem, and current national laws that implement the ePrivacy Directive will be replaced by an EU regulation known as the ePrivacy Regulation which will significantly increase fines for non-compliance. In the European Union, informed consent is required for the placement of a cookie on a user's device and for direct electronic marketing. The GDPR imposes conditions on obtaining valid consent, such as a prohibition on pre-checked consents and a requirement to ensure separate consents are sought for each type of cookie or similar technology. While the text of the ePrivacy Regulation is still under development, a recent European court decision and regulators' recent guidance are driving increased attention to cookies and tracking technologies. If regulators start to enforce the strict approach in recent guidance, this could lead to substantial costs, require significant systems changes, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, increase costs and subject us to additional liabilities. 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' online shopping and other relevant online behaviors, as well as the effectiveness of our marketing and our business generally. Such regulations, including uncertainties about how well the advertising technology ecosystem can adapt to legal changes around the use of tracking technologies, may have a negative effect on businesses, including ours, that collect and use online usage information for consumer acquisition and marketing. The decline of cookies or other online tracking technologies as a means to identify and target potential purchasers may increase the cost of operating our business and lead to a decline in revenues. In addition, legal uncertainties about the legality of cookies and other tracking technologies may, lead to 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 customer experience.

In the United States, which is also a significant market for our goods and services, 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, California has enacted the California Consumer Privacy Act ("CCPA") which went into effect on January 1, 2020. The new law imposes new requirements upon companies doing business in California and meeting other size or scale criteria for collecting or using information collected from or about California residents, affords California residents new abilities to opt out of certain disclosures of personal information, and grants non-absolute rights to access or request deletion of personal information, subject to verification and certain exceptions. In response to the CCPA, we have reviewed and amended our information practices involving California consumers, as well as our use of service providers or interactions with other parties to whom we disclose personal information. We have updated our privacy disclosures to comply with the new law, including as these requirements pertain to our California-based workforce. We are monitoring the California Attorney General's forthcoming CCPA implementing regulations, which are expected to be published later in 2020. We cannot yet predict the full impact of CCPA and its implementing regulations on our business or operations, but the new law may require us to further modify our information practices and policies in one of our largest markets, and to incur substantial costs and expenses in an effort to comply. It also remains unclear what, if any, further modifications will be made to this legislation and its implementing regulations, or how the statute or rules will be interpreted. Other states are considering enacting stricter data privacy laws, some modeled on

the GDPR, some modeled of the CCPA, and others potentially imposing completely distinct requirements. The U.S. Congress is considering comprehensive federal privacy legislation, such as the Consumer Online Privacy Rights Act, which would significantly expand elements of the data protection rights and obligations existing within the GDPR and the CCPA to all U.S. consumers.

In the People's Republic of China (the "PRC," for purposes hereof excluding Hong Kong, Macau and Taiwan), data security has become one of the fastest growing areas for new legislation reflecting the evolving e-commerce industry in the PRC. For example, the PRC Cyber Security Law that came into force on July 1, 2017, along with other laws and regulations, govern the collection, use, retention, sharing and security of the personal information in the PRC and provide an overarching regulatory basis for protection of personal information in the PRC, and the E-Commerce Law that came into force on January 1, 2019, governs all aspects of online transactions and includes a significant focus on the importance of data security in such transactions. In addition, although the Personal Information Security Specification, which came into force on May 1, 2018 (the "China Specification") is not a mandatory regulation, it nonetheless has a key implementing role in relation to the PRC's Cyber Security Law in respect of protecting personal information in China, and in practice it has been adopted by PRC government agencies as a standard to determine whether businesses have abided by the PRC's data protection rules.

This China Specification has introduced many concepts and protection rules for personal information ("PI"), 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, following the issuance of the China Specification, the data controller must provide the purpose of collecting and using subject PSI, as well as business functions of such purpose, and, for purposes of collection of the PSI, 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, while not a mandatory regulation, could attract attention of relevant PRC regulatory authorities and increase our burden to prove our compliance of the requirements under the relevant PRC protection laws and regulations, and a finding by the PRC government authorities of our failure to comply with these requirements 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.

Furthermore, in 2019 the Cyberspace Administration of the PRC ("CAC"), the central internet regulator, issued Draft Measures of Security Assessment before Cross-border Transfer of Personal Information ("Draft Measures of Cross-border PI Transfer") and Draft Administrative Measures of Data Security ("Draft Measures of Data Security") soliciting public comments. In the proposed Draft Measures of Cross-border PI Transfer, PI cannot be transferred out of the PRC until a security assessment is conducted and approved by relevant CAC local branch. When conducting a security assessment, CAC is expected to focus on whether PI has been collected and processed in China in full compliance with applicable law and whether the overseas recipients have the same level of data protection capability. The Draft Measures of Data Security Law further adopt certain technical specifications under the non-binding China Specifications as legal norms. These two Draft Measures may be subject to further revisions before being officially promulgated with legal effect. Once finalized and implemented, these two Measures are likely to have a major impact on our data compliance performance.

In Brazil, the Brazilian General Data Protection Law (Lei Geral de Proteção de Dados Pessoais) (Law No. 13,709/2018) ("LGPD") that came into effect on July 8, 2019 implemented operational requirements for our use of personal data in Brazil. The LGPD's requirements are substantially similar to those of GDPR and we will have to undertake similar compliance efforts regarding our Brazilian consumers and employee data, potentially requiring us to incur substantial costs and expenses in an effort to comply and exposing us to an increased risk of non-compliance.

Many data protection regimes apply based on where the consumer is located, and as we expand and new laws are enacted the new laws due to come into force in India next year) 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.

Failures or perceived failures by us (including our recently acquired businesses which are in the process of being integrated into our privacy framework) 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.

The profitability of our Browns, Stadium Goods and New Guards businesses depends on our ability to manage inventory levels and, if not managed successfully, our business and results of operations could be adversely affected.

Browns and Stadium Goods purchase merchandise wholesale which they then sell via our Marketplaces or in-stores. In addition, New Guards produces merchandise which it then sells via our Marketplaces, its brands' websites or to retailers. As a result, our profitability depends on our ability to manage these businesses' inventory levels and respond to shifts in consumer demand patterns. Overestimating consumer demand for merchandise may result in Browns, Stadium Goods or New Guards holding unsold inventory, which will likely result in the need to rely on markdowns or promotional sales to dispose of excess inventory, which could have an adverse effect on our gross margins and results of operations. Conversely, if Browns, Stadium Goods or New Guards underestimate consumer demand for merchandise that could lead to inventory shortages, lost sales opportunities or negative customer experiences that could adversely affect consumer relationships and our ability to grow in the future. In the event that New Guards' business, which was primarily wholesale focused prior to the acquisition, significantly grows its e-concession and direct-to-consumer business, this may result in it will substantially increasing its exposure to such inventory risks having only had limited prior experience managing such risks.

Browns, Stadium Goods and New Guards rely on various processes and systems for forecasting, merchandise planning, inventory management, procurement, allocation and fulfillment capabilities. Our ability to continue to successfully execute our strategies for these businesses or evolve such strategies with changes in the retail environment could be adversely affected if such processes and systems are not effectively managed and maintained. If any such systems were to fail, or if our physical inventory is inaccurate for any reason, we may not derive the expected sales and profitability of our Browns, Stadium Goods or New Guards businesses, or we may incur increased costs relative to our current expectations which could adversely affect our business, financial condition, results of operations 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. 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 is 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 approach to marketing. As laws and regulations rapidly evolve to govern the use of these channels, a 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, including employees of brands within the New Guards portfolio, or third parties acting at our direction (including influencers) 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 damage to our reputation, the reputation of our businesses, including Browns, Stadium Goods and any of the brands in the New Guards portfolio, or the reputation of the designers or creative directors of the New Guards brands.

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 bring a product to market in a timely manner or at all, our ability to monetize these technologies and other new business lines in a timely manner and operate them profitably and our ability to leverage these technologies to drive customer engagement, depends on a number of factors, many of which are beyond our control, including:

- our ability to develop fast enough to meet customer changing needs and expectations;
- 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;
- certain products facing significant competition, including from Chinese technology companies, and 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 consumer concentration may materially adversely affect our financial condition and results of operations.

For the year ended December 31, 2019, the top 1% of our consumers accounted for approximately 27% of our Digital Platform 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, while our Brand Platform has historically seen higher levels of sales in January, May and July. 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 fluctuate significantly as a result of a variety of 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. In addition, we have had no prior history of operating New Guards prior to the New Guards acquisition. We may not accurately forecast costs of operating the New Guards business, and we may not achieve cost synergies and other expected benefits of the New Guards acquisition. 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. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Our ability to do so can be impacted by a number of factors, for example volatility of our share price may impact the attractiveness of our rewards package. 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 Farfetch Private Client business leave Farfetch, this may impact on the ability of Farfetch to retain consumers associated with such Farfetch Private Client team member.

The New Guards management team was historically responsible for discovering and developing new brands, and we will continue to rely on their expertise to drive the expansion of the New Guards portfolio of brands. Certain designers and creators, including Virgil Abloh, the Founder and Creative Director of Off-White, are also critical to the success of brands within the New Guards portfolio, and their departure could have a significant impact on the creative direction of the relevant brand which could have a significant impact on such brand and New Guards' business.

Competition for well-qualified employees in all aspects of our business, including software engineers, data scientists 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, including through the New Guards acquisition, 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 14 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 and through acquisitions like the New Guards and Stadium Goods acquisitions. 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, increases in tariffs and the imposition of retaliatory tariffs, including those implemented by the United States and China in 2019, 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.

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in Wuhan, Hubei Province, China. During January, February and March of 2020, COVID-19 has spread to other cities in China, and also globally. In response to the COVID-19 virus, countries have taken different measures in relation to prevention and containment. For example, beginning in late January 2020, in response to intensifying efforts to contain the spread of the COVID-19 virus, many cities in Hubei Province including Wuhan were locked down and business activities were banned in Hubei Province; including temporary suspension of delivery services in this area. The COVID-19 virus continues to impact worldwide economic activity and pose the risk that we or our employees, contractors, suppliers, customers and other business partners may be prevented from conducting certain business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities or otherwise elected by companies as a preventive measure. In addition, mandated government authority measures or other measures elected by companies as a preventive measures may lead to our consumers being unable to complete purchases or other activities. Furthermore, its impact on the global and local economies may also adversely impact consumer discretionary spending. COVID-19 may have an adverse effect on trading and our operations and, given the uncertainty around the extent and timing of the potential future spread or mitigation and around the imposition or relaxation of protective measures, we cannot reasonably estimate the impact to our future results of operations, cash flows or financial condition.

In addition, rising global average temperatures due to increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere are causing significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters. Changes in weather patterns and the increased frequency, intensity and duration of extreme weather events (e.g., floods, droughts and severe storms) could, among other things, disrupt our logistics operations and our ability to source and distribute products in a timely manner, impact the operation of our New Guards business' supply chain, disrupt our brick-and-mortar retail operations, increase our product costs and impact the types of fashion products that consumers purchase. As a result, the effects of climate change could have short- and long-term impacts on our business and operations.

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, CuriosityChina, Toplife and New Guards in 2019.

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 unasserted claims or assessments that we failed or were unable to identify 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;
- synergies attributable to the acquisition may vary from expectations;
- diversion of management's attention from other business concerns;
- regulatory uncertainties;
- harm to our existing business relationships with retailers and brands 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;
- failure to realize anticipated synergies in the timeframe or in the full amount expected; 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. For example, half of the consideration we paid in connection with the New Guards acquisition was paid in the form of shares, resulting in our issuance of 27.5 million Class A ordinary shares or 9% of the Class A ordinary shares outstanding immediately prior to the acquisition. 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. 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 applicable rules, regulations and laws; reputational concerns regarding our partners or our leadership; bankruptcy, requiring us to assume all risks and capital requirements related to the relationship, and the related bankruptcy proceedings could have an adverse impact on the relationship; and any actions arising out of the relationship that may result in reputational harm or legal exposure to us. Further, these relationships may not deliver the benefits that were originally anticipated. Any of these factors may have a material adverse effect on our business, results of operations, financial condition and prospects.

We sell certain merchandise via third-party platforms, and our inability to access consumers via these platforms could adversely affect our business.

We sell certain merchandise via third-party platforms. In certain countries, some of our businesses significantly rely on such sales channels. For example, in 2019 a significant portion of Stadium Goods' sales in China were made via Alibaba's Tmall Global e-commerce platform. We are subject to, and must comply with, such platforms' respective terms and conditions for merchants and their terms of service for consumer rights protection. Such third-party platforms retain the right to remove our merchandise from their platform or halt our sales on their platform if they believe we have violated their terms and conditions, the law or the IP rights of other parties, including, but not limited to, allegations that any goods we offer for sale are counterfeit. Such platforms can halt sales or remove our merchandise at their complete discretion irrespective of the validity of any claims made against us. Should such third-party platforms exercise such discretion in a market where we are substantially reliant on the relevant platform it could negatively impact our growth and our GMV in that market, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Further, should such third-party platforms' actions become public it could impact our business and could substantially harm our reputation and adversely impact our efforts to develop our brands, irrespective of the validity of the claims.

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 geo-blocking 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 our ability to expand our product and service offerings, limit marketing methods and capabilities, affect our margins, increase costs or subject us to additional liabilities or affect our ability to deliver our growth strategy.

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. For example, an aspect of the Revised Payment Service Directive came into force, which (following an implementation period of 18 to 24 months) will require an additional level of consumer authentication for certain transactions involving parties in the European Union completed on our Marketplaces. This additional authentication may deter consumers from completing transactions online, which may affect our business. 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, as applicable, across industries. U.S. economic and trade sanctions relate to transactions with designated foreign countries and territories, which currently include 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 50% or more owned, individually or in the aggregate, 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, to 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 more common to engage in business practices that may be 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, 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, investigation costs and expenses 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 adequately address risks relating to applicable economic and trade sanctions, the FCPA, the Bribery Act and other anti-bribery and anti-corruption laws in particular. 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 the Farfetch Marketplace were shipped to addresses associated with Crimea. In December 2014, the United States announced a near complete embargo on exports of items from the United States to Crimea. On April 27, 2018, we submitted an initial voluntary self-disclosure regarding these shipments to OFAC and BIS, and on October 24, 2018 we submitted our final 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 the Farfetch 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 the Farfetch 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. Both agencies closed out the matter without assessing a monetary penalty. BIS issued a Warning Letter dated February 25, 2019, and OFAC issued a Cautionary Letter dated March 27, 2019. If, in the future, we are found to be in violation of U.S. sanctions or export control laws, 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 Marketplaces 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. This is particularly the case with respect to China, as new rounds of tariffs and extended trade negotiations between the United States and China have led to increased costs and continued uncertainty in trade relations, 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. There is also a concern that the imposition of additional tariffs by the United States could result in the adoption of tariffs or trade restrictions by other countries (including the European Union) as well, that may affect the movement of our goods, or potentially lead to a global trade war. 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.

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.

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 result in the expected 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, royalty payments 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, withholding taxes, cross-jurisdictional transfer pricing, indirect tax liabilities and reclaims 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 and/or, indirect tax and customs duty liabilities and claims 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 2019, the OECD launched a public consultation for taxing digital business on revenue streams where there is a market presence including an online presence and, while these discussions are ongoing, there are a number of jurisdictions (most notably Italy) where the provisions are already in force and other jurisdictions have set dates for the provisions to be introduced. Based on the current law and information released by the Italian tax authorities we expect Italian DST to apply to the group in 2020. Italian DST is levied at 3% of a proportion of Farfetch's marketplace revenue with that proportion being determined by the number of marketplace transactions where either the buyer or the seller is located in Italy compared to the total number of marketplace transactions. Such unilateral decisions have resulted in political debate and trading discussions that have led or could lead to deferral, amendment or even withdrawal of the provisions implemented. At this stage we cannot accurately 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, particularly with regards to online marketplaces 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 implemented 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 adverse 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 value added tax (or similar 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 value added tax (or similar taxes such as sales and use 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. A number of jurisdictions globally have introduced (or are looking to introduce) additional reporting, record-keeping or value added tax (or similar taxes) calculation, collection and remittance obligations on businesses like ours that facilitate or perform e-commerce. Such requirements could require us or our retailers and brands to incur substantial costs in order to comply, including costs associated with legal advice, local compliance, tax calculation, collection, remittance and audit requirements, which could make selling in such markets less attractive and could adversely affect our business.

For example, in certain jurisdictions, rules have already been introduced to hold the online facilitator of sales of goods and services jointly and severally liable for the under or non-accounted value added tax (or similar taxes) by the sellers. Such joint and several liability provisions will significantly impact our business where our retailers or brands have not complied with the local provisions. In addition, new rules for retail and e-commerce sales are being introduced, for example, across the EU from January 2021, online marketplaces will in certain situations (where certain thresholds are met) be deemed for value added tax purposes to be the supplier of goods which will require them to collect and pay VAT on sales via their platform. Further, in the U.S., states are able to tax their residents on remote sales. Following the U.S. Supreme Court's decision in 2018 in *South Dakota v. Wayfair*, a U.S. state may require by way of 'economic nexus laws' 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 against non-U.S. companies that have historically not been responsible for state or local tax collection unless they had physical presence in the U.S. customer's state. We have historically operated under a "natural 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 courts in the United Kingdom are currently considering the effectiveness of such a structure from an indirect tax viewpoint and referrals were made to the European Court of Justice. The European Commission also approved changes to the Principal VAT directive, to be effective from January 2021, expanding the scope of distance selling. If this leads to a change in tax authorities' approach or a change in interpretation of current legislation, we could be assessed to additional amounts of value added tax.

Given the current complexities for online marketplaces, inconsistencies in interpretation and implementation of local tax rules and the impact of non-recoverable VAT on returned goods, we are transitioning our business model to one in which we will act as an "undisclosed agent" or "commissionaire" of our retailers and brands. Under this model, 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 simplicity and 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 Marketplaces 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, brand or other seller 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. We may also face liability for infringements of third party intellectual property by virtue of our role as an e-commerce marketplace where we actively contribute to the distribution of the goods of our brands and retailers. The legal framework in this area is developing but it could mean a general increase in the scope of direct liability of online platforms such as ours to the extent that we stock and deliver infringing goods of brands and retailers, even if we do not have actual awareness of the infringing nature of the goods.

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. For example, in China, listing untrue or inconsistent product description or information, including the listing of counterfeit goods is considered as “false advertising” under PRC Advertising Law, subject to an administrative fine up to RMB one million. Furthermore, consumers in China who purchase items on our Marketplaces based on any alleged untrue or inconsistent product description or information may bring a “fraud” claim against us, and should they be successful they would be entitled to three times the price of the item as penalty compensation.

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 Marketplaces less user friendly. Moreover, public perception that counterfeit or other unauthorized items are common on our Marketplaces, 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 Marketplaces, our reputation and sales could be harmed.

Our retailers and brands, including the brands in the New Guards portfolio, 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 Marketplaces. 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. If any New Guards brand’s product becomes subject to a recall or government, customer or consumer safety concerns we could experience an even more significant adverse effects or reputational harm, face product liability litigation and governmental investigations and incur costs associated with any remediation actions.

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 and employment law 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 proposed withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

We are a multinational company headquartered in the United Kingdom with worldwide operations, including significant business operations in Europe. Following a national referendum and enactment of legislation by the government of the United Kingdom ("Brexit"), the United Kingdom formally withdrew from the European Union on January 31, 2020 and entered into a transition period during which it will continue its ongoing and complex negotiations with the European Union relating to the future trading relationship between the parties. Significant political and economic uncertainty remains about whether the terms of the relationship will differ materially from the terms before withdrawal, as well as about the possibility that a so-called "no deal" separation will occur if negotiations are not completed by the end of the transition period.

The withdrawal could lead to greater restrictions on the free movement of goods, services, people and capital, and increased regulatory costs and complexities. 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 customer 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, the perception that any of them may occur 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, divert management attention 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 (including those relating to our compliance with the Americans with Disabilities Act of 1990), 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. For example, in September 2019, following periods of volatility in the market price of the Class A ordinary shares of Farfetch Limited, two putative class action lawsuits were filed in the United States against us and certain of our directors and officers, among others, under the U.S. federal securities laws. See Item 8. “Financial Information—A. Consolidated Statements and Other Financial Information— Legal and Arbitration Proceedings.”

It is often challenging to predict the commencement or 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, Stadium Goods’ first-party sales and the New Guards portfolio of brands when sold direct-to-consumer via our Marketplaces), 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, including those of the brands in the New Guards portfolio, 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, including the brands in the New Guards portfolio, in all jurisdictions around the world. There is no guarantee that we will be the first to submit trademark applications in all territories and/or classes for our brands and we have in the past experienced professional “trademark squatters” actively registering our brands’ marks before we are able to in certain markets, including China. We cannot guarantee that we will be able to preempt such bad faith actors doing this in the future, and we may incur costs in challenging their marks or putting in place preventative measures. In addition, 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, BROWNS, STADIUM GOODS and marks relating to brands in the New Guards portfolio. In addition, we license, rather than own, certain intellectual property related to certain brands within the New Guards portfolio, and we may not be aware of other third-party rights granted over such brands. Any claims of infringement, brand dilution or consumer confusion related to our brands (including our trademarks) or any failure to renew key license agreements on acceptable terms 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 one issued patent in the United Kingdom. We also 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 and our issued patent in the United Kingdom 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, and New Guards and brands in its portfolio may be subject to similar claims. 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 expired 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 Our New Guards Business

New Guards may not be successful in discovering, promoting and sustaining the reputation of its brands.

New Guards is known for the brands in its portfolio, and the reputation of such brands relies on the quality and exclusiveness of its products, their distribution networks, as well as the promotional and marketing strategies applied. Products or marketing strategies not in line with brand image objectives, inappropriate behavior by brand ambassadors, New Guards' employees, distributors or suppliers, or detrimental information circulating in the media may endanger the reputation of such brands and may adversely impact sales.

The growth of our New Guards business depends in part on our ability to discover, attract and acquire new brands for its portfolio. Our ability to do so depends on our ability to identify the right designers, creatives and brands with potential and offer them a compelling proposition, including attractive commercial terms to any investors where New Guards acquires existing brands or their IP assets.

The majority of New Guards' sales are from carefully selected third-party distributors. The reputation of New Guards' brands' products thus rests in part on compliance by all distributors with such brands' requirements in terms of their approach to the handling and presentation of products, marketing and communications policies and respecting brand image. New Guards', or third-party distributors', failure to provide consumers with high-quality products and high-quality customer experiences for any reason could substantially harm the reputation of its brands, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

New Guards' brands or products could be counterfeited or copied, which could have a material adverse effect on its business.

New Guards' brands, expertise and production methods could be counterfeited or copied. Its products may be distributed in parallel retail networks, including online sales networks, without our consent.

Counterfeiting and parallel distribution have an immediate adverse effect on revenue and profit. Activities in these or other illegitimate channels may damage the brand image of the relevant products over time and may also lower consumer confidence, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

New Guards licenses, rather than owns, certain intellectual property related to certain brands within its brand portfolio and it may not be successful in maintaining such intellectual property rights.

New Guards licenses, rather than owns, certain intellectual property related to certain brands within its brand portfolio, and such licenses generally include expiry dates and termination provisions. For example, New Guards' license of the trademarks of the Off-White brand, which accounted for 75% of our Brand Platform GMV in the year ended December 31, 2019, expires in 2035 and includes a right for either party to opt out of the agreement effective as of January 1, 2026 subject to notice provisions. The agreement is also subject to standard termination rights related to unremedied material breaches of the license agreement and insolvency events.

Any failure to maintain or renew key license agreements on acceptable terms could damage our reputation and brand identity and could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our New Guards business is dependent on its production, inventory management and fulfilment processes and systems, which could adversely affect its business if not successfully executed.

New Guards relies on various processes and systems for merchandise planning, inventory management, procurement, allocation and fulfilment capabilities. If any such systems were to fail, we may not derive the expected benefits to New Guards' sales and profitability or may incur increased costs relative to our current expectations, which could adversely affect our business, financial condition, results of operations and prospects. See Item 3D "Risks Relating to our Business and Industry — The profitability of our Browns, Stadium Goods and New Guards businesses depends on our ability to manage inventory levels and, if not managed successfully, our business and results of operations could be adversely affected."

Our New Guards business relies on contract manufacturing of its products. Our inability to secure production sources meeting our quality, cost, working conditions and other requirements, or failures by our contract manufacturers to perform, could harm our business and reputation.

In the year ended December 31, 2019, New Guards sourced all of its products from independent contract manufacturers who purchase fabric and make its products and may also provide design and development services. As a result, New Guards must locate and secure production capacity. We depend on contract manufacturers to maintain adequate financial resources, including access to sufficient credit, secure a sufficient supply of raw materials, and maintain sufficient development and manufacturing capacity in line with our asset light production model and in an environment characterized by continuing cost pressure and demands for product innovation and speed-to-market. In addition, we currently do not have any material long-term contracts with any of New Guards' contract manufacturers. Significant difficulties or failures to perform by our contract manufacturers could cause delays in product shipments or otherwise negatively affect our results of operations. As of December 31, 2019, New Guards had contracts with seventy contract manufactures over five countries. Should we decide to consolidate our production in the future we could incur additional costs doing so and increase our reliance on a smaller number of contract manufacturers.

Using contract manufacturers means we incur certain costs. We are responsible for paying the customs duties when shipping merchandise from its location of manufacture. Further, the prices we pay our contract manufacturers for our products are dependent in part on the market price for raw materials used to produce them, primarily wool and cotton. The price and availability of cotton or wool may fluctuate substantially depending on a variety of factors, including demand, acreage devoted to cotton crops and crop yields, weather, supply conditions, transportation costs, energy prices, work stoppages, government regulation and policy, economic climates, market speculation and other unpredictable factors. Any and all of these factors may be exacerbated by global climate change.

A contract manufacturer's failure to ship products to us in a timely manner or to meet our quality standards, or interference with our ability to receive shipments due to factors such as port or transportation conditions or security incidents, could cause us to miss the delivery date requirements of our consumers on the Farfetch Marketplace or our Brand Platform retail and wholesale customers. Failing to make timely deliveries may cause our consumers or customers to cancel orders, refuse to accept deliveries, impose non-compliance charges, demand reduced prices, or reduce future orders, any of which could harm our sales and margins. If we need to replace any contract manufacturer, we may be unable to locate additional contract manufacturers on terms that are acceptable to us, or at all, or we may be unable to locate additional contract manufacturers with sufficient capacity to meet our requirements or to fill our orders in a timely manner.

We require contract manufacturers to meet our standards in terms of working conditions, environmental protection, raw materials, facility safety, security and other matters before we are willing to place business with them. As such, we may not be able to obtain the lowest-cost production. We may also encounter delays in production and added costs as a result of the time it takes to train our contract manufacturers in our methods, products and quality control standards. In addition, the labor and business practices of apparel manufacturers and their suppliers have received increased attention from the media, non-governmental organizations, consumers and governmental agencies in recent years. Failures by our contract manufacturers or their suppliers or subcontractors to adhere to labor or other laws, appropriate labor or business practices, safety, structural or environmental standards, and the potential litigation, negative publicity and political pressure relating to any of these events, could harm our business and reputation.

Our New Guards business may be unable to maintain or increase sales through physical distribution channels.

Revenue attributable to our Brand Platform change, which accounted for 16% of our total revenue in the year ended December 31, 2019, is primarily derived from wholesale distribution of brands in the New Guards portfolio to carefully selected third-party distributors. We may be unable to maintain or increase sales of New Guards brands' merchandise through these distribution channels for several reasons, including the following:

- We are unable to maintain the popularity of the brands in the New Guards portfolio or discover, attract and acquire new popular brands;
- the distributors may change their apparel strategies in a way that shifts focus away from luxury streetwear and related categories or away from New Guards brands' typical consumers; or
- as other channels, including ecommerce sites (including the Farfetch Marketplace), account for an increasing portion of consumers luxury fashion purchases, the distributors, including retailers, may experience competitive pressure and decrease orders or experience financial difficulties or bankruptcy.

In addition, decisions we make with regard to our distribution strategy may impact our ability to retain or gain new distributors. For example, we intend to reduce wholesale distribution of brands in the New Guards portfolio and restrict the geographic distribution by other online retailers, as we move to favor our own direct-to-consumer channels, which could impact our relationship with existing or future distributors.

If New Guards is unable to maintain or increase sales through its customary wholesale distribution channels could have a material adverse effect on our business, results of operations, financial condition and prospects.

Risks Relating to Our Retail Stores

The operation of retail stores subjects us to numerous risks, some of which are beyond our control.

As of December 31, 2019, Browns operated two retail stores in London, Stadium Goods operated one retail store in New York and New Guards operated two Off-White stores in Las Vegas and New York. Each of these businesses expect to open new retail stores in 2020 – Brown's new flagship store in London's Mayfair, Stadium Goods' store in Chicago and new Off-White stores in Miami, Paris and London. In addition, New Guards has over 50 franchised retail stores across its various brands.

The success of New Guards' business is dependent on its ability to develop and execute its growth strategies, which include the successful development, opening, franchising and operation of new retail stores for brands in the New Guards portfolio. Successful execution of this strategy, and the success of the retail store operations across our businesses more generally, depends upon a number of factors, including our ability (and in certain cases the ability of the New Guards' franchisees) to identify suitable sites for new stores, negotiate and execute leases on acceptable terms, construct, furnish and supply a store in a timely and cost effective manner, accurately assess the demographic or retail environment at a given location, hire and train qualified personnel, obtain necessary permits and zoning approvals, integrate a new store distribution networks and build consumer awareness and loyalty. Construction, development or refurbishment costs may exceed original estimates due to increases in materials, labor or other costs, and we may experience permitting or construction delays, which may further increase project costs and delay projected sales. These risks may be exacerbated to the extent the we engage third-party developers or contractors in connection with such projects or are subject to approvals of regulatory bodies to complete the projects. As each new store represents a significant investment of capital, time and other resources, delays or failures in opening new stores, or achieving lower than expected sales in new stores, could materially and adversely affect our growth and results of operations.

Furthermore, New Guards' and Stadium Goods' respective growth strategies may involve expansion into additional geographical markets in the future. These markets may have different competitive conditions, consumer trends and discretionary spending patterns than the markets in which it currently operates retail stores, which may cause its operations in these markets to be less successful than operations in its existing markets.

Leasing real estate exposes us to possible liabilities and losses.

Our Browns, Stadium Goods and New Guards businesses lease retail properties including for existing and under-development retail and consignment spaces. In connection with these properties, we are subject to all of the risks associated with leasing real estate. In particular, the value of the assets could decrease, operating costs could increase, or a store may not be opened as planned due to changes in the real estate market, demographic trends, site competition, dependence on third-party performance or overall economic environment. Additionally, we are subject to potential liability for environmental conditions, exit costs associated with disposal of a store, commitments to pay base rent for the entire lease term or operate a store for the duration of an operating covenant. New Guards' franchise business is subject to certain risks not directly within our control that could impair the value of our brands.

New Guards enters into franchise agreements with unaffiliated franchisees to operate Off-White stores in Asia, the Middle East and Canada. Under these agreements, third parties operate, or will operate, stores that sell apparel and related products under the Off-White brand name. New Guards may enter into similar agreements in other countries or with regard to other brands in its portfolio in the future. The effect of these arrangements on New Guards' business and results of operations is uncertain and will depend upon various factors, including the demand for these products in new markets internationally and New Guards' ability to successfully identify appropriate third parties to act as franchisees, distributors, or in a similar capacity. In addition, certain aspects of these arrangements are not directly within New Guards' control, such as franchisee financial stability and the ability of these third parties to meet their projections regarding store locations, store openings, and sales. Other risks that may affect these third parties include general economic conditions in specific countries or markets, foreign exchange rates, changes in diplomatic and trade relationships, restrictions on the transfer of funds, and political instability. Moreover, while the agreements we have entered into and plan to enter into in the future provide us with certain termination rights, the value of the brands in the New Guards portfolio could be impaired to the extent that these third parties do not operate their stores in a manner consistent with New Guards' requirements regarding its brand identities and customer experience standards. Failure to protect the value of New Guards' brands, or any other harmful acts or omissions by a franchisee, could have an adverse effect on our results of operations and our reputation.

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 74.3% 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.

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 amended (“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 public 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 U.S. Securities Exchange Commission (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 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 private issuer, we will incur significant additional legal, accounting and other expenses that we will not incur as a foreign private issuer, and accounting, reporting and other expenses in order to maintain a listing on a U.S. securities exchange. These expenses will relate to, among other things, the obligation to present our financial information in accordance with U.S. GAAP in the future.

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, and we intend to rely on this "foreign private issuer exemption" with regard to certain matters. Specifically, the NYSE rules require shareholder approval for 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. 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. See Item 16G. "Corporate Governance."

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 control 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 are 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 consolidated financial statements will not be prevented or detected on a timely basis.

In our Annual Report on Form 20-F for the fiscal year ended December 31, 2018 (the "2018 Annual Report"), we reported two material weaknesses in the design and operation of our internal control over 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. Whilst significant remediation work has been undertaken, these material weaknesses have not been fully remediated, and we have concluded that material weaknesses existed as of December 31, 2019 related to (1) the design and operation of effective controls over information technology systems, including restricting access over those systems, setting up appropriate automated controls, managing system changes and the identification and testing of system generated reports used in the execution of key manual controls; and (2) the design and operation of effective controls over the ability of individuals to prepare and post journal entries without independent review. In

addition, during the year ended December 31, 2019, we identified a further material weakness in connection with us having insufficient personnel with an appropriate level of accounting knowledge, experience and training in order to review, challenge and conclude on the interpretation of complex accounting matters and on the proposed treatment of significant and unusual transactions.

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. Despite the significant remedial actions we have taken, further time and testing of these actions is necessary before our controls can be determined effective and, therefore, we are unable to state that, as of December 31, 2019, we had effective disclosure controls and procedures and effective internal control over financial reporting (each, as defined under the SEC's rules). See Item 15. "Controls and Procedures" for additional information of the identified material weaknesses and our related remediation efforts.

If we are unable to remediate our material weaknesses or identify new material weaknesses, if we are unable to implement and maintain effective internal control over financial reporting and effective disclosure controls and procedures, or if we fail to satisfy other requirements 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. The Sarbanes-Oxley Act requires us to evaluate and report on our internal control over financial reporting and have our principal executive officer and principal financial officer certify as to the accuracy and completeness of our financial reports.

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.

As our senior management is unable to conclude that we have effective internal control over financial reporting or to certify the effectiveness of such controls, as our independent registered public accounting firm cannot render an unqualified opinion on our internal control over financial reporting and, to the extent that, 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 we incur significant legal, accounting, insurance and other expenses. 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 devote a substantial amount of time to ensure that we comply with all of these reporting requirements, rules and regulations, and such requirements, rules and regulations increase our legal and financial compliance costs and make certain activities more time consuming and costly. In addition, these laws, rules and regulations also make it more difficult and more expensive for us to obtain certain types of insurance, including director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These factors could also make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, the committees of our Board of Directors or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company,

we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

Furthermore, as a publicly traded company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes Oxley Act, which require management to certify financial and other information in our annual reports and provide an annual management report on the effectiveness of control over financial reporting. We are required to disclose material changes in internal control over financial reporting on an annual basis and are also required to complete an annual assessment of our internal control over financial reporting pursuant to Section 404, and management's report related to such assessment must be included in our annual reports on Form 20-F. Additionally, we are 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 and as part of our efforts to remediate the material weaknesses identified, we have had to engage in a process to document and evaluate our internal control over financial reporting, which has been both costly and challenging. In this regard, we have had to continue to dedicate internal resources 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 continue to evaluate the adequacy of our accounting personnel staffing level and other matters related to our internal control over financial reporting. If we are unable to remediate existing material weaknesses and/or identify additional material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our consolidated 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. "Financial Information—A. 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 not recognized in the Cayman Islands, but groups of shareholders with identical interests may bring representative proceedings, which are similar.

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, 2019, 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 Item 10. “Additional Information—E. Taxation—U.S. Federal Income Tax Considerations.”

If a U.S. 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, 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. The United States Internal Revenue Service provided limited guidance on situations in which investors may rely on publicly available alternative information to comply with their reporting and tax paying obligations with respect to foreign-controlled CFCs. U.S. investors should consult their advisors regarding the potential application of these rules to their investment in the Class A ordinary shares.

Risks Related to Our Indebtedness

Our indebtedness could adversely affect our financial health and competitive position.

Our indebtedness increases the risk that we may be unable to generate cash sufficient to pay amounts due in respect of our indebtedness. It could also have effects on our business. For example, it could:

- limit our ability to pay dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a material portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the availability of our cash flow for working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the fashion industry; and
- limit our ability to borrow additional funds.

The indenture governing the \$250 million in convertible senior notes we issued in February 2020 (the “Indenture”) contains, and any agreements evidencing or governing other future indebtedness may contain, certain

restrictive covenants that will limit our ability to engage in certain activities that are in our long-term best interest. For example, the Indenture limits our ability to incur additional indebtedness. We have not previously breached and are not in breach of any of the covenants under the Indenture; however our failure to comply with covenants in the Indenture or in agreements governing any future indebtedness could result in an event of default which, if not cured or waived, could result in the acceleration of all of our indebtedness.

To service our indebtedness, we require cash, and our ability to generate cash is subject to many factors beyond our control.

Our ability to make payments on and to refinance our existing and any future indebtedness, including the Notes, and to fund planned capital expenditures will depend on our ability to generate cash in the future. This is subject, to a certain extent, general economic, financial, competitive, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity, and we cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. Failure to refinance our indebtedness on terms we believe to be acceptable could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Item 4. Information on the Company

A. History and Development of the Company

Corporate Information

We were incorporated as Farfetch Limited 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 5900. 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.

For a discussion of our principal capital expenditures, see Item 5. “Operating and Financial Review and Prospects — B. Liquidity and Capital Resources,” Item 4. “Information on the Company — D. Property, Plant and Equipment” and Note 16 to our audited consolidated financial statements included elsewhere in this Annual Report.

Our agent for service of process in the United States is CT Corporation, whose address is 111 Eighth Avenue, New York, New York 10011.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, such as the Company, that file electronically, with the SEC at www.sec.gov. Our website address is www.farfetchinvestors.com. The information contained on our website is not incorporated by reference in this document.

Acquisition of Stadium Goods

In January 2019, we completed the acquisition of 100% of the outstanding equity interests of Stadium Enterprises LLC, which does business as “Stadium Goods”, a premium sneaker and streetwear marketplace, for the total consideration of \$230.9 million. The consideration was split as \$150.2 million of cash and 4.6 million Class A Ordinary Shares with a value of \$80.7 million based on the Farfetch share price at the acquisition date. See Note 5 (“Business combinations”) to our audited consolidated financial statements included elsewhere in this Annual Report.

Acquisition of New Guards

In August 2019, we completed the acquisition of 100% of the outstanding shares of New Guards Group Holding S.p.A, for the total consideration of \$704.1 million. New Guards Group Holding S.p.A, is a platform that uses a single common infrastructure model to incubate and grow emerging talent into highly sought-after brands to our Group. New Guards is the parent company of subsidiaries that either own or are the exclusive licensee of global luxury fashion brands, including Off-White, Heron Preston and Palm Angels. The consideration was split between cash and Farfetch shares. Net of \$102.8 million of acquired cash, total consideration included \$256.1 million of cash consideration and 27.5 million Class A Ordinary Shares with a value of \$345.2 million based on the Farfetch share price at the acquisition date. Purchase price allocations are expected to be completed in the first half of 2020, following customary adjustments.

Segment Change

Following the acquisition of New Guards, in the fourth quarter of 2019, management determined that it had three operating segments: (i) Digital Platform, (ii) Brand Platform and (iii) In-Store, given our new organizational structure and the manner in which our business is reviewed and managed. In fourth quarter 2019, we realigned our reportable operating segments to reflect how our Chief Operating Decision-Maker was making operating decisions, allocating resources and evaluating operating performance. See “Operating Results by Segment” and Note 6 (“Segmental and geographical information”) to our audited consolidated financial statements included elsewhere in this Annual Report for additional information about these segments.

B. Business Overview

Our Mission

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

Overview

Farfetch is the leading global platform for the luxury fashion industry.

Founded in 2007 by José Neves and launched in 2008, we began as an e-commerce marketplace for luxury boutiques around the world. With \$2,140 million of GMV and over 2 million Active Consumers for the year ended December 31, 2019, Farfetch is the largest digital in-season luxury player in the industry. Farfetch’s businesses include:

- **The Farfetch Marketplace** - the only global luxury marketplace at scale connecting, as of December 31, 2019, consumers in 190 countries with merchandise in over 50 countries from over 1,200 brands, boutiques and department stores from all over the world, delivering a unique shopping experience and access to the most extensive selection of luxury at a single destination.
- **Farfetch Platform Solutions (FPS)** – our white-label enterprise offering to the luxury industry, which builds and operates e-commerce and technology solutions for luxury brands and retailers, utilizing the proprietary Farfetch platform.

- **Farfetch Store of the Future** - our retail innovation arm, which develops and implements technology solutions to support the retail vision of brands and retailers in order to create new luxury experiences by seamlessly connecting the digital and physical with the customer at the center.
- **Browns** - an iconic British fashion and luxury goods retailer.
- **Stadium Goods** - a premium sneaker and streetwear marketplace connecting sneakerheads around the world with merchandise from consigners.
- **New Guards** – a platform that uses a single common infrastructure and model to incubate and grow emerging talent into highly sought-after brands. New Guards designs, manufactures and distributes sought-after luxury fashion brands including Off-White, Heron Preston, Palm Angels and Marcelo Burlon, among others.

We organize and report our business in three reportable operating segments: Digital Platform, Brand Platform and In-Store.

The Digital Platform segment activities include the Farfetch Marketplace, FPS, BrownsFashion.com, StadiumGoods.com, Farfetch Store of the Future, and any other online sales channel operated by the Group, including the respective websites of the brands in the New Guards portfolio. It derives its revenues mostly from transactions between sellers and consumers or customers conducted on our dematerialized platforms, and primarily operates a revenue share model where we retain commissions and related income from these transactions. The Digital Platform also includes direct-to-consumer sales of first-party and first-party own-inventory through Farfetch Marketplace, where we retains the full GMV.

The Brand Platform segment is comprised of design, production, brand development and wholesale distribution of brands owned and licensed by New Guards and includes franchised store operations.

The In-Store segment covers the activities of Group-operated stores including Browns, Stadium Goods and certain brands in the New Guards portfolio. Revenues are derived from sales made in these physical stores.

The Farfetch Group

Farfetch operates an omni-channel approach across the digital and physical realms to serve our mission to connect the world’s creators, curators and consumers, as the leading global platform for the luxury fashion industry.



A good example of our omni-channel approach in practice is Browns, an iconic British fashion and luxury goods retailer, acquired by Farfetch in 2015. Ownership of Browns has enabled us to understand the fashion ecosystem through the lens of a boutique. Browns leverages our digital platform applications by selling through the Farfetch Marketplace, the Browns website and the iOS apps (launched in 2019), which are powered and operated by FPS. Browns also serves as an incubation space for Farfetch Store of the Future, testing and showcasing innovative solutions to meet the needs of the multichannel, luxury consumer.

Our business has grown significantly, as evidenced by the following:

- As of December 31, 2019, we had 2,068,000 Active Consumers, up 50% since December 31, 2018. As of December 31, 2018, we had 1,382,000, up 48% since December 31, 2017.
- Our GMV for 2019 was \$2,140 million, up 52% over 2018, and was \$1,408 million in 2018, up 55% from 2017.
- Our revenue for 2019 was \$1,021 million, up 69% from 2018, and was \$602 million in 2018, up 56% over 2017.
- Our Digital Platform Services Revenue for 2019 was \$701 million, up 43% over 2018, and was \$489 million in 2018, up 65% over 2017.

For geographical and segmental revenue, see Note 6 of our audited consolidated financial statements.

See Item 5. “Operating and Financial Review and Prospects” for a description of the periods inclusive of New Guards’ GMV and revenue.

Seasonality

Our business is seasonal in nature. Historically, our business has realized a disproportionate share of our revenue for the year in the fourth quarter, attributable primarily to the impact of the year-end holiday season and seasonal promotions. Our Brand Platform segment has historically seen higher levels of sales in January, May and July.

In 2019, our revenues in the first, second, third and fourth quarters represented 17%, 20%, 25% and 38%, respectively, of our total revenues for the year. In 2018, our revenues in the first, second, third and fourth quarters represented 21%, 24%, 22% and 33%, respectively, of our total revenues for the year.

As a result of these factors, our financial results for any single quarter or for periods of less than a year are not necessarily indicative of the results that may be achieved for a full fiscal year.

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 fashion industry through technology, and how it serves the consumer, are central to our success.
- **Scalable proprietary technology.** We have built scalable proprietary technology, which enables us to grow the reach of our platform 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 and our ability to innovate. Our digital platform is built for multi-tenancy and multi-client use. This allows the same infrastructure and services architecture to support each of our Marketplaces, FPS and Farfetch Store of the Future. Our digital platform’s internal services have a modular design, allowing us to evolve individual system boundaries independently or replace components via integration with external modules.

- **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 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 digital platform and inform decision making in relation to New Guards, including production.
- **Established partner relationships.** We are the partner of choice for many of 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, 2019, we had more than 1,200 partners including over 700 of the world's leading luxury retailers and just over 500 brands. These relationships enable us to give our consumers access to the widest selection, including unique and scarce inventory, as well as depth of supply. Our relationships in the luxury industry go beyond our Marketplaces and FPS, including, for example, our multi-year global innovation partnership with CHANEL, with whom we are piloting our Farfetch Store of the Future solutions. As at December 31, 2019, we had retained all of the top 100 brands and retailers we had as of December 31, 2018.
- **The world's largest selection of luxury with minimal inventory risk.** We operate the only luxury digital marketplace at scale. We believe we offer seven times more stock keeping units than the next largest competitor to the Farfetch Marketplace. We achieve this by aggregating supply from a large number of globally distributed sources, offering consumers both breadth and depth of luxury merchandise whilst, through our marketplace model, having minimal inventory risk.
- **Fully integrated supply chain operations.** We offer comprehensive supply chain capabilities to our digital platform partners, from content creation to access to our global fulfilment network, which integrate delivery partners in the 190 countries we serve in a single, efficient interface. Luxury fashion inventory is located across a highly fragmented network of luxury sellers. Our fulfilment 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 deliver 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 marketplace model allows us to offer the broadest selection of luxury fashion available online, while incurring minimal inventory risk and without capital intensive retail operations. We believe the Farfetch Marketplace strategically aligns us with our luxury brand partners by offering them the advantages of a direct-to-consumer e-concession model, including full control over merchandising and pricing, as well as higher margins compared to wholesale distribution. 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.
- **Powerful network effects.** Interactions among our consumers and luxury sellers on the Farfetch Marketplace generate strong network effects. More brands, boutiques and department stores on the Farfetch Marketplace increases the choices available to consumers, and more consumers on the Farfetch Marketplace increases the potential sales for our luxury sellers through a self-reinforcing, mutually beneficial network effect. We expect our acquisition of New Guards to further amplify this network effect, as it gives us the ability to offer the broadest selection of, and exclusive access to, merchandise from the New Guards portfolio of brands.
- **Culture of innovation.** Innovation is intrinsic to Farfetch. For more than a decade, we have redefined how the luxury fashion industry engages with consumers and technology. We believe that technology will continue to enable a better luxury ecosystem, and we intend to 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 digital platform and we actively work with start-ups that are developing solutions for the future of e-commerce through our Dream Assembly accelerator program. 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. For example, our Farfetch Store of the Future pilot is now live in CHANEL's flagship boutique at 19 rue Cambon, Paris.

- **New Guards’ platform proposition.** New Guards incubates and grows emerging talent into highly sought-after brands (including Off-White, Heron Preston and Palm Angels, among others) and provides us the ability to enhance the Farfetch Marketplace by offering exclusive access to merchandise from the New Guards portfolio of brands. New Guards operates as a platform, using a single common infrastructure and asset-light shared services model to procure manufacturing resources based on demand. Quantities are produced to-order, and as a consequence, New Guards is inventory-light.

Our Growth Strategies

The key elements of our growth strategies include:

- **Building the Farfetch brand.** While we have established a significant position in the fashion industry, we believe we have an opportunity to further 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. We are building a unique brand with strong cultural relevance by focusing our messaging on our “only on Farfetch” proposition while also providing our consumer with the most widely available range. This is reinforced by our acquisitions of Stadium Goods and New Guards which further enable us to offer the broadest selection of luxury brands and most sought after product together with exclusive access to merchandise from the New Guards portfolio of existing, and any new, brands.
- **Improving consumer economics and growing the Farfetch Marketplace 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 the merchandise that they want. We will seek to continue to refine our approach to data analytics, allowing us to further optimize and improve our marketing approach and customer experience, with the objective that existing consumers visit the Farfetch Marketplace more often, convert more efficiently and have higher Average Order Values. Our strategy also includes optimizing our private client offering.

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 merchandise that is 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 in people and technology locally to support growth. We are one of the very few Western e-commerce companies which has demonstrated success in penetrating China, an important and growing market for luxury, whose consumer base, according to Bain, is expected to grow to represent 45% of luxury sales by 2025. We have local operations in China, including customer service, localized website and apps, local servers and locally managed WeChat stores and WeChat Mini Programs, and have implemented an effective cross-border solution which includes customs clearance to best serve the Chinese luxury consumer. In 2019 we completed the acquisition of JD.com’s ‘Toplife’, obtaining ‘Level One’ access on the JD.com app.
- **Increasing product supply and our luxury seller base for the Farfetch Marketplace**

Increasing supply from existing luxury sellers. We believe that we can increase the depth of our supply from our existing luxury seller base. We are seeing luxury sellers making available more of their inventory on the Farfetch Marketplace and we continue to evolve our value proposition, including data led insights, access to relevant demand and technological innovation.

Adding brands, boutiques, department stores and other partners. We plan to increase the number of brands, boutiques and department stores and new types of retailers in order to expand the assortment and availability of merchandise on the Farfetch Marketplace.

Developing brands of the future. With the acquisition of New Guards in August 2019, we have added to our portfolio of businesses a platform for the creation, design, production and distribution of luxury “brands of the future.” The New Guards acquisition gives us access to a portfolio of profitable brands, and resources and capabilities to launch successful new brands.

Expanding into new categories and offerings. We aim to enhance our product offering for consumers and create additional opportunities for sellers on the Farfetch Marketplace by expanding into other luxury categories and offerings, such as the expansion of our offering to include watches and fine jewelry in 2018 (which has grown faster than the overall Farfetch Marketplace in 2019 by GMV) and our investment in the streetwear category through our acquisition of Stadium Goods in January 2019. According to Bain, streetwear has been one of the growing categories in the luxury market, and Stadium Goods 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 our platform with new technologies and innovation.** We intend to continue to invest in people, product and infrastructure to drive technological innovation in the luxury industry. This includes continuing to enhance our platform for all participants through the application of data science and machine learning technologies to facilitate further personalization and inspiring moments for consumers. We also expect to continue to grow FPS and further develop and monetize Farfetch Store of the Future. We may supplement the growth of our internal service offerings with external third party providers that can build on our digital platform to offer complementary services to our consumers and luxury sellers.
- **Maximizing the synergies between our business units.** We will continue to prioritize investing in the growth of our organically developed businesses and targeted acquisitions in a manner that maximizes synergistic effects. This means strategically driving interactions between the Farfetch Marketplace, Browns, Stadium Goods, New Guards, FPS and Farfetch Store of the Future to optimize supply, develop and promote exclusive merchandise, build our brands and leverage our technology platform and logistics capabilities.

Our Businesses

Our Marketplaces

The Farfetch Marketplace

The Farfetch Marketplace is the largest digital luxury marketplace in the world, connecting two sides of the luxury fashion market: consumers from 190 countries and luxury sellers in over 50 countries.

For consumers, we provide curated access to, as of December 31, 2019, over 3,400 different brands from over 1,200 luxury sellers. Consumers are able to engage with us across our website and iOS and Android apps, including on our iOS app developed specifically for our consumers in China.

For luxury sellers we facilitate connection to 2.1 million Active Consumers, as of December 31, 2019. We believe the Farfetch Marketplace is the sole global in-season multi-brand luxury platform that can offer brands direct-to-consumer distribution via an e-concession model. The proposition for brands includes full control over merchandising and pricing together with higher margins than wholesale distribution.

The Farfetch Marketplace provides integrated logistics for luxury sellers, including content creation and end to end logistics and a localized luxury experience and customer care for the Farfetch Marketplace consumers. 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. 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 which make our supply chain scalable, capital efficient and highly agile.

In 2019 we added localized sites for the Netherlands, Sweden and Denmark, bringing our total to 48 localized sites available in 15 languages.

Stadium Goods Marketplace

Stadium Goods is a premium sneaker and streetwear marketplace specializing in new, never worn, merchandise for resale. Farfetch acquired Stadium Goods in January 2019 and it continues to operate as a standalone brand, increasingly leveraging Farfetch's digital platform and expertise in technology, logistics, data, brand, marketing and geographic reach.

Stadium Goods operates an online marketplace (stadiumgoods.com) and iOS and Android apps. Stadium Goods' stock is also available through third-party platforms including Amazon and eBay and is fully integrated into and available on the Farfetch Marketplace in all geographies. Stadium Goods has a brick-and-mortar store in the heart of New York City's Soho neighborhood, and has announced plans to open its second store in Chicago in 2020.

Our Enterprise Solutions

Farfetch Platform Solutions

FPS is our enterprise offering to the luxury fashion industry, offering a modular suite of white-label technology solutions and services for luxury sellers. FPS delivers global, multi-channel e-commerce solutions that enable retailers and brands to drive growth and innovation, seamlessly interact with their customers, build stronger and closer relationships while allowing them to focus on the creative aspects of their businesses. These solutions are built on the Farfetch digital platform, providing the same capabilities and reach as the Farfetch Marketplace, and benefitting from innovations and product developments on our digital platform. FPS partners can choose from specific features or bundles of products and services or a full end-to-end e-commerce experience, tailored to their customer and business requirements.

By building on our fully API-enabled digital platform, partnering with FPS allows for a flexible front-end suite of products, comprising global websites, apps, WeChat stores and a shop-floor app, which helps in-store staff manage global inventory to enhance customer service in-store. Our back-end infrastructure allows retailers and brands to synchronize their websites in real time with in-store and warehouse inventory, both from mono-brand stores and other suppliers in their distribution network, and facilitate customer-friendly services such as in-store pick-up and returns.

In July 2018, Farfetch acquired CuriosityChina, a business that focuses on amplifying premium and luxury brands across digital platforms in China. CuriosityChina augments the FPS proposition to include plug-and-play access for luxury brands to expand rapidly in China via web, app, WeChat Store and WeChat Mini Programs.

FPS currently works with a number of brands across the luxury fashion industry. In 2019, FPS added Emilio Pucci, Phillip Lim and, Nicholas Kirkwood as clients. In February 2020, FPS launched a new global e-commerce platform for Harrods. Our strategic partnership allows Harrods to use and benefit from all of FPS's core components, including e-commerce management, operations, international logistics, and technical support.

In addition, the Browns and Off-White e-commerce channels are powered and operated by FPS, and we intend to take this approach with other brands in the New Guards portfolio.

Augmented Retail and Farfetch Store of the Future

We believe the future of luxury fashion retail will be defined by the reinvention of the customer 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 was unveiled in April 2017, when we launched Farfetch Store of the Future. Our Augmented Retail vision begins with the customer in mind. Customers 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 enhance the services they can offer. With this in mind, we have developed a range of services and technologies to progress innovation in the luxury industry.

Farfetch Store of the Future is our retail innovation arm focused on Augmented Retail, which seamlessly connects digital and physical experiences. We seek to develop and implement technology solutions which support the retail vision of brands and stores, enabling meaningful interactions between customers and the brand by leveraging data to empower the "Sales Associate of the Future".

In February 2018, we announced a multi-year global innovation partnership with CHANEL. The pilot is now live in CHANEL's flagship boutique at 19 rue Cambon, Paris, showcasing Farfetch Store of the Future technologies designed to augment the client and fashion advisor relationship, including a client boutique app and Fashion Advisor app, plus a number of connected devices (such as digital fitting room mirrors and product sensors). Following the success of the pilot, we are in discussions to expand the rollout of the Augmented Retail experience to additional CHANEL boutiques.

Other Services

Fulfilment by Farfetch

We offer a luxury logistics solution with our four third-party logistics warehouses in Italy, the United Kingdom, the United States and China, which luxury sellers can use to handle their fulfilment closer to the consumer. We are using proprietary data insights to predict where the product should be sitting with stock stored in strategically placed locations. This allows us to service consumers more efficiently, provides advantages for consumers, and removes friction from the growth of supply for our luxury sellers.

Farfetch Media Solutions

Farfetch Media Solutions works with brand partners to deliver holistic digital marketing campaigns optimized towards consumer engagement on the Farfetch Marketplace. While the offering is still in its early stages, our advertising services allow our brand partners to reach our luxury fashion consumers in the course of their decision-making journey on our digital platform. Farfetch Media Solutions enables strong partnerships with brands, access to our high-intent consumer base and creates original content designed specifically to engage our consumers. In the year ended December 31, 2019, Farfetch Media Solutions served over 100 campaigns across a diverse mix of brand partners as well as content on Farfetch Communities (described below).

Dream Assembly

Dream Assembly is our accelerator program for commerce and fashion technology start-ups, which provides access to mentorship, networking and support. It is designed to accelerate the growth of these start-ups, ensure Farfetch is working with the brightest innovators, and identify potential new partners for Farfetch. As of December 31, 2019, it has now completed three cycles and incubated 26 companies. Stella McCartney and Burberry partnered with us in supporting our Dream Assembly program in 2019.

Our Stores

While the proportion of luxury sales through e-commerce continues to increase, physical retail remains a crucial part of the sales journey for the luxury customer. Bain estimates that in 2019, 88% of personal luxury goods were bought in physical stores.

We are taking advantage of the power of the physical realm, including leveraging the brand-building and marketing opportunities afforded by a well-placed and well-presented store, with a number of our businesses, including Browns, Stadium Goods and Off-White operating physical retail locations.

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 Galiano, 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, a culturally relevant voice in fashion with two renowned stores in London, has continued to raise its profile in 2019 with the second installment of its pop-up series, in Berlin, (the first was in Los Angeles with Fred Segal in 2018) and exclusive collections with Fantastic Man and Sara Shakeel.

2020 will mark Browns' 50th birthday and the anticipated opening of a flagship store in London's Mayfair which will have separate womenswear and menswear floors; a level for exclusive capsule collections, collaborations and new brands; and another floor offering styling and concierge services for VIP consumers. The new store, which will replace the existing Browns store in Mayfair, will continue to pioneer innovations developed under our Augmented Retail strategy including Farfetch Store of the Future technology.

Stadium Goods

Stadium Goods' flagship store, in New York City's Soho neighborhood, is a destination for sneakerheads, as well as a market center where sellers can bring inventory for Stadium Goods to authenticate and consign for sale.

In 2019, Stadium Goods launched pop-up shops at Fred Segal in Los Angeles, the Sole DXB event in Dubai and, bringing together two members of the Farfetch family, as "Sneaker Beast" at the Browns East London store. In December 2019, Stadium Goods announced it expects to open its second store and market center in Chicago in Spring 2020.

Off-White

Currently, the most successful brand in the New Guards portfolio is Off-White. In order to reach a global audience for its merchandise, Off-White is sold wholesale to third-party retailers online, through the Farfetch Marketplace and its own, FPS powered, e-commerce channel, as well as in Off-White branded retail stores. As of December 31, 2019, Off-White operates its own stores located in New York and Las Vegas, as well as more than 40 Off-White branded franchise stores primarily outside Europe and the United States. In 2020, Off-White expects to open stores in Miami, Paris and London.

New Guards

In August 2019, we acquired New Guards. New Guards operates as a platform that uses a single common infrastructure model to incubate and grow emerging talent into highly sought-after brands. New Guards designs, manufactures and distributes luxury brands including Off-White, Heron Preston, Palm Angels and Marcelo Burlon, among others through a shared services model. New Guards operates an asset-light model; it sources all of its merchandise from independent contract manufacturers, procuring manufacturing resources based on demand, with quantities produced to-order. As a consequence, New Guards is inventory-light.

We believe New Guards will continue to elevate the Farfetch brand and increase organic traffic and consumer engagement, which will make Farfetch an even more attractive channel not just for consumers, but also for our brand partners. The acquisition augments our strategy to be the global platform for luxury fashion, empowering individuality, and connecting creators, curators and consumers.

As a result of adding New Guards, we now have the capability to bring creative visionaries and designers' ideas to fruition by offering infrastructure including strategy development, design studio, sourcing and production, industrial capabilities, global distribution channels, merchandising, licensing, marketing and growth planning. Farfetch will help existing and future portfolio brands maximize their potential by opening new e-concessions on the Farfetch Marketplace and powering portfolio brands' own e-commerce sites and other digital channels through FPS. We believe this will create what we call "brands of the future."

The addition of New Guards gives us the opportunity to develop and introduce new and highly attractive brands to the Farfetch Marketplace, along with exclusive capsule collections and collaborations to further enrich the customer experience and boost consumer engagement with the Farfetch brand.

Our Technology

Technology is at the core of our strategy, powering our operational capabilities and the sustainable scalability of our digital platform. We believe that continuous investment in our technology has given us a competitive advantage and enabled fast innovation. We operate a modular end to end digital 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 digital 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 digital platform is built on an API enabled proprietary technology stack, which provides the foundation for our applications and services.

Marketing

Driving consumer demand and brand loyalty, with customer-centricity at the forefront

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 our luxury sellers. Through driving high consumer demand, we aim to create a better proposition for our luxury sellers.

We have invested 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.

Data Driven Approach

We collect and utilize a broad range of data from multiple touch points throughout 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 customer 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 intent to purchase, luxury fashion. We have built our own capabilities 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 modeling 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 also sometimes use promotions to drive consumer acquisition and sales on the Farfetch Marketplaces. 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.

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 the Farfetch Marketplace. We also sometimes use promotions to drive consumer retention and sales. Our brand marketing approach is to focus on offering products and services that consumers cannot find anywhere else, be that exclusive capsule collections, exclusive products, items only available through our network of luxury sellers, access to personal stylists for our most loyal consumers and more. We offer a host of luxury merchandise and services available only on Farfetch.

We launched ACCESS, Farfetch's new loyalty program, for a limited global test group and for consumers in the United Kingdom in 2018. ACCESS provides consumers with benefits and rewards based on their annual spend on the Farfetch Marketplace. Based on the success after first launching ACCESS, we have continued to invest in the program throughout 2019, with rollout continuing at pace to further countries in that year, increasing the consumer base enrolled by 63% between the third and fourth quarter of 2019. As of January 31, 2020, there were approximately 1 million ACCESS members across five tiers ranging from Bronze to Private Client.

Farfetch Private Client

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

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

Farfetch Communities provides updated daily editorial and community content, on the Farfetch Marketplace site and on social channels, which brings to life Farfetch's unrivalled range of luxury fashion and creates an ever-changing, inspiring way to help our consumers discover the things they love. We named the initiative Communities in celebration of our local-global Farfetch community of fashion-loving creators, curators and consumers and it is designed to be an ever-changing content which features their influential taste, collections and fashion viewpoints. Farfetch Communities is an innovative approach to telling our brand story by using content created by our contributors, including our partners and consumers, in a manner which is highly relevant to consumers and the way they use media today. It also enables us to highlight the vast global Farfetch community, which is made of fashion lovers and consumers, influencers, and our brands and retailers, who are all incredible storytellers.

Positively Farfetch

Positively Farfetch is a 360-degree strategy to embed sustainability in and across our business. We want to become the global platform for good in luxury fashion by empowering everyone we work with to think, act and choose positively. The strategy has three key pillars, that each align with core business drivers.

Positively Cleaner is focused on environmental impact reduction, and is expected to help us become a more cost-efficient business. In addition to rolling out sustainably sourced and fully recyclable packaging globally, in 2019 Farfetch signed both the G7 Fashion Pact and the UN Fashion Industry Charter for Climate Action. By joining these initiatives, we will be working together with other global businesses to help find solutions to tackle climate change; developing, and committing to bold shared targets in areas such as reducing emissions, increasing renewable energy use and eliminating single use plastics.

Positively Conscious is focused on inspiring our consumers to make positive choices that consider the impact on the environment, society and animal welfare, and help us become the global destination for more conscious fashion consumers. We have teamed up with Good On You, an independent agency that rates the sustainability of brands across these three areas. Based on these ratings, we have created 'Conscious Edits' for Women, Men and Kids, 'Positively Conscious' labels and information on merchandise, and a Positively Conscious filter. This is all aimed at helping our consumers make informed decisions about their purchases.

Positively Circular is focused on investing in new services that help extend the life of clothes and help drive growth and consumer retention. For example, in 2019 we began piloting Second Life, a service which enables consumers to trade in their pre-owned designer bags for Farfetch Marketplace credit. We also launched our Thrift+ and Farfetch partnership as a pilot in the United Kingdom, which allows consumers to donate used clothes which are then sold, with one third of proceeds of sale donated to the consumer's chosen charity. The consumer can then choose to either donate a further third to charity or receive it as Farfetch Marketplace credit (Thrift+ retain one third of the proceeds for administering the service).

Browns is also focusing on sustainability covering the same pillars of opportunity; Cleaner, with its conscious packaging option and green local deliveries; Conscious, with clear on-site and in-store labeling of products made with a more positive social and environmental impact; and Circular, with a partnership with Armarium for luxury fashion rentals, as well as collaborations with designers that look at up-cycling and vintage.

Security and Data Protection

We are committed to the security and privacy 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. Our consumers' privacy expectations are very important to us and we have a team tasked with responding to our consumer inquiries regarding their personal data.

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 the Farfetch 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 have developed an online channel following the success of their physical retail operations;
- Niche multi brand and streetwear sites;
- Luxury department stores; and
- Luxury brand stores.

In addition, the brands in the New Guards portfolio of brands face competition from many different luxury and streetwear brands.

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, BROWNS and STADIUM GOODS among other brands. Our intellectual property portfolio includes numerous domain names for websites that we use in our business. We have one issued patent in the United Kingdom. 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.

New Guards owns, or is the exclusive licensee of, various intellectual property rights in the brands that form the New Guards brand portfolio. The existing license agreements permit New Guards to, among other things, manufacture, distribute, advertise and sell merchandise of the relevant brand in exchange for the payment of royalties. Terms of the license agreements can vary. For example, New Guards has exclusive, worldwide licenses for the use of the Off-White, Palm Angels and Heron Preston trademarks. In addition, the license for the OFF-WHITE trademark expires in 2035 and includes a right for either party to opt out of the agreement effective as of January 1, 2026 subject to notice provisions.

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 copyright and trademark infringement across domains, social media and mobile applications for BROWNS, FARFETCH and the brands in the New Guards portfolio, as well as a trademark watch service, which notifies us of potentially conflicting trademark applications. We have also registered FARFETCH, BROWNSFASHIONSTORE and the marks for the brands in the New Guards portfolios 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, GDPR went into effect. GDPR 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 about 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 GDPR 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, CCPA went into effect in California on January 1, 2020. The new law, among other things, requires new disclosures to California consumers, affords consumers new abilities to opt out of certain disclosures of personal information and new rights of data access and deletions, and imposes significant fines and penalties for violations of privacy or data security provisions.

China

The State Administration for Market Regulation (“SAMR”) of China issued Regulations on Clearly Marking the Prices and Prohibition of Price Fraud (“Draft for Comment”) (the “Draft Pricing Regulations”) on May 30, 2019, seeking public comments until June 30, 2019. So far the Draft Pricing Regulations are still under the legislative review and may be subject to further revisions before being officially promulgated.

According to the Draft Pricing Regulations, Farfetch would be required to show both VIP and non-VIP prices on the same product display page within the same Farfetch China “trading premises” (including Farfetch.cn and Farfetch China app). We have explored potential mitigation strategies if the Draft Pricing Regulations become effective and obtained preliminary validation from the local law enforcement agency.

The Cyberspace Administration of China (“CAC”), the central internet regulator, issued Draft Measures of Security Assessment before Cross-border Transfer of Personal Data (the “Draft Measures of Cross-border PI Transfer”) and Draft Administrative Measures of Data Security (“Draft Measures of Data Security”) on June 13, 2019, soliciting public comments by July 13, 2019. The Draft Measures remain under legislative review and may be subject to further revisions before being officially promulgated.

According to the Draft Measures, transfer of personal data out of China will be prohibited if disapproved by CAC local branch after conducting a security assessment. When conducting a security assessment, CAC is expected to focus on: (a) whether personal data is collected and stored in China in full compliance with applicable law; (b) whether our data transfer technical design is in full compliance with applicable law; and (c) whether the overseas direct recipients have the same level of data protection capability.

We are carrying out an internal assessment to ensure we meet the above requirements and to prepare to apply to CAC Shanghai branch for security assessment and approval.

Our operation of the Farfetch.cn website and the Farfetch China app in mainland China is subject to a value-added telecommunication license, which we first obtained in December 2016 and then renewed in December 2019, for another 3 years. Our value-added telecommunication license is issued by Shanghai Communications Administration, which has its approval power delegated from the Ministry of Industry and Information Technology.

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 22 to our audited consolidated financial statements for the years ended December 31, 2019, 2018 and 2017 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

We have offices in Braga, Dubai, Hong Kong, Lisbon, London, Los Angeles, Milan, Moscow, New Delhi, New York, Porto, São Paulo, Shanghai and Tokyo, and production centers in Guimarães, Hong Kong, Los Angeles and São Paulo. In addition, Browns leases retail properties in London, Stadium Goods leases retail properties in Chicago and New York and New Guards leases retail properties in Las Vegas, London, Miami, New York and Paris.

Our London office is our corporate headquarters, housing 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 six floors.

Our two Porto offices together house our largest employee population, including finance and customer support and operations. The two offices cover an aggregate of approximately 235,000 square feet and are leased for periods of seven to eleven years, all expiring in 2025.

On April 8, 2019, Farfetch Portugal – Unipessoal, Lda, one of our subsidiaries, acquired approximately 70,000 square meters of land in Matosinhos, Portugal from Medida Gabarito, Lda. We intend to use this land to build a campus for our employees based in Porto, to support our technology and operational functions as well as our digital production studios. The total cost of the purchase was \$18 million including taxes and fees. As of December 31, 2019, we had incurred additional expenditures of approximately \$140,000 on the campus. We are in the preliminary stages of planning and estimating the total cost for the buildout and fit of the campus and are evaluating the most effective funding structure before proceeding with further expenditures.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion in conjunction with Item 3. “Key Information — A. Selected Financial 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 — D. Risk Factors.” 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.

Business Overview

Our mission is to be the leading global platform for the luxury fashion industry, connecting creators, curators and consumers.

Our core business is focused on generating income from transactions between sellers and consumers conducted on our platform. Transactions generate GMV, which we collect and remit to sellers after deducting our commission, fulfilment and other related income, which is based on a revenue-share model. With the acquisition of New Guards in August 2019, a portion of our income is now generated from business-to-business transactions with retailers. A lesser portion of our income is generated from sales made in physical stores that we operate. All these activities enable us to operate across the global luxury ecosystem.

Business Highlights

On January 4, 2019, Farfetch Limited completed the acquisition of 100% of the outstanding shares of Stadium Goods, the sneaker and streetwear marketplace for total consideration of \$230.9 million. The Group expects to benefit from Stadium Goods’ brand, access to supply, and a team who have joined the Group, bringing with them a strong passion for, and knowledge of, luxury streetwear, further enhancing our marketplace and stores offering. For further information, refer to Note 5 to our consolidated financial statements included elsewhere in this Annual Report.

In August 2019, we completed the acquisition of 100% of the outstanding shares of New Guards for a total consideration of \$704.1 million. This acquisition of New Guards, which operates as a platform that uses a single common infrastructure and model to incubate and grow emerging talent into highly sought-after brands, extends our capabilities and further enables us to leverage our existing global consumer base, large boutique network and significant data insights. New Guards further enables our support of the luxury ecosystem. The addition of New Guards expands the Farfetch Marketplace proposition with a broad selection and increased supply from the New Guards’ portfolio of brands, including Off-White, Palm Angels, Heron Preston, and Marcelo Burlon County of Milan, along with exclusive capsule collections and collaborations to further enrich the customer experience and boost consumer engagement with the Farfetch brand. Our consolidated financial statements include the revenue and results of operations for the acquisition of New Guards for the period since acquisition date. For further information, refer to Note 5 to our consolidated financial statements included elsewhere in this Annual Report.

Segment Change

Following the acquisition of New Guards, in the fourth quarter of 2019, management determined that it had three operating segments: (i) Digital Platform, (ii) Brand Platform and (iii) In-Store, given our new organizational structure and the manner in which our business is reviewed and managed. In fourth quarter 2019, we realigned our reportable operating segments to reflect how our Chief Operating Decision-Maker was making operating decisions, allocating resources and evaluating operating performance. See “Operating Results by Segment” and Note 6 (“Segmental and geographical information”) to our consolidated financial statements included elsewhere in this Annual Report for additional information about these segments.

Sources of Revenue

Our revenue is derived from four streams:

- **Digital Platform Services Revenue**, which primarily includes commissions and related income from third-party sales and to a lesser extent revenue from first-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. Digital Platform Services Revenue was referred to as Adjusted Platform Revenue or Platform Services Revenue in previous filings. Digital Platform Services Revenue is included in our Digital Platform segment.
- **Digital Platform Fulfilment Revenue**, which is revenue from shipping and customs clearing services that we provide to our digital consumers, net of consumer promotional incentives, such as free shipping and promotional codes. Digital Platform Fulfilment Revenue was referred to as Platform Fulfilment Revenue in previous filings. Digital Platform Fulfilment Revenue is included in our Digital Platform segment.
- **Brand Platform Revenue**, which is revenue relating to the New Guards operations less revenue from New Guards’: (i) owned e-commerce websites, (ii) direct-to-consumer channel via our Marketplaces and (iii) directly operated stores. Revenue relating to its owned e-commerce websites and its direct-to-consumer channel are recognized as Digital Platform Services Revenue and revenue relating to its directly operated stores is recognized as In-Store Revenue. Revenue realized from Brand Platform is equal to GMV as such sales are on a first-party basis and are not commission based.
- **In-Store Revenue**, which is revenue generated in our retail stores which include Browns, Stadium Goods and New Guards’ directly operated stores. Revenue realized from In-Store sales is equal to GMV of such sales because such sales are not commission based.

Refer to “Key Operating and Financial Metrics” below for a discussion of the key operating and financial metrics we use and “Operating Results by Segment” for a discussion of segmental performance and revenues by segment for the years ended December 31, 2019 and 2018.

For further information on our principal sources of revenue and how the different types of revenue are classified in our consolidated statement of operations refer to Note 2.3 (e) to our consolidated financial statements included elsewhere in this Annual Report.

For further information on our revenues by geography, refer to Note 6 to our consolidated financial statements included elsewhere in this Annual Report.

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 marketplace business model allows us to offer consumers a broad and deep 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.

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 the Farfetch Marketplace from existing luxury sellers, adding luxury sellers from new geographies, large multi-brand retailers and new brands.

Our strong top-line performance highlights our success in leveraging our unique platform to go after the \$100 billion opportunity we see in online luxury. And with luxury brands increasingly moving to reduce wholesale in favor of direct-to-consumer distribution strategies, our unique e-concession model has positioned Farfetch as the multi-brand digital partner of choice. As a result, we nearly doubled the rate of direct brand partnership signings in 2019 with e-concessions on the Farfetch Marketplace accelerating to grow almost 40% to more than 500 at year-end.

As of December 31, 2019, we had more than 1,200 luxury sellers on the Farfetch Marketplace, of which over 700 were retailers and more than 500 were brands who sell directly on the Farfetch Marketplace. As of December 31, 2018, we had approximately 1,000 luxury sellers on the Farfetch Marketplace, of which more than 600 were retailers and just under 400 were brands who sell directly on our Marketplace. Both the mix of sales from brands versus retailers and the mix of first-party sales versus third-party sales can impact our results of operations as each attract different margins. As at December 31, 2019, we had retained all of the top 100 brands and top 100 boutiques we had as of December 31, 2018.

Growth, Engagement and Retention of Our Consumer Base

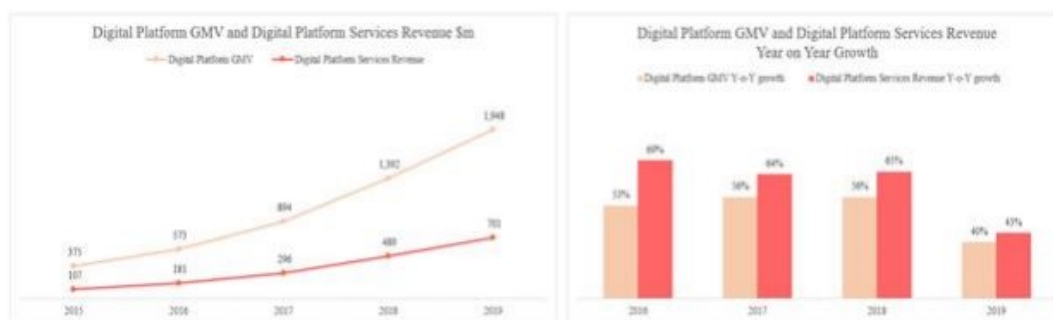
Digital Platform

Digital Platform GMV and revenue primarily grow as a result of acquiring and retaining Active Consumers, increasing the Average Order Value and the volume of orders.

As of December 31, 2019, we had 2,068,000 Active Consumers, up from 1,382,000 as of December 31, 2018.

We have been able to grow Digital 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 Digital Platform GMV from existing consumers has also continued to increase over time, indicating we have retained existing consumers.

We define new consumers as those who placed their first order on the Farfetch 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 Russia.

New Guards and Brand Platform

New Guards operates as a platform that uses a single common infrastructure and model including strategy development, design studio, sourcing and production, industrial capabilities, global distribution channels, merchandising, licensing, marketing and growth planning for brands in its portfolio. The success of our Brand Platform segment is dependent on the popularity of the brands in the New Guards portfolio, and the incubation of new brands, as New Guards has demonstrated historically. Luxury apparel, footwear and accessories are subject to rapidly changing fashion trends and constantly evolving consumer tastes and demands, and success depends in large part on the brands in our New Guards portfolio being able to originate and define fashion product trends, as well as to anticipate, gauge, and react to changing consumer demands in a timely manner. Demand for our brands' products may fluctuate significantly from season to season, and while we continue to grow our brand portfolio organically or by acquisition, including the acquisitions of Ambush and Opening Ceremony announced in January 2020, we face competition from many different luxury and streetwear brands. The ability of the brands in the New Guards portfolio to anticipate, identify, and respond effectively to changing consumer demands and fashion trends impacts our revenue and profitability. In addition, although New Guards' business has been historically inventory light, we intend to grow the direct-to-consumer business of the brands in the New Guards portfolio, potentially increasing the risk of unsold inventory. Conversely, if we underestimate consumer demand for the brands' products, we may experience inventory shortages.

We have begun to take actions to reduce wholesale distribution of New Guards brands and restrict the geographic distribution by other online retailers, as we move to favor our own direct-to-consumer channels, similar to the broader industry.

Cost of Consumer Acquisition and Engagement

Our Digital Platform 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 and customer lifetime value 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 are focusing on developing our brand to organically grow the traffic on our Marketplaces. We also expanded our network of active media partners, which extended our audience reach and further diversified our 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 Digital Platform Order Contribution Margin over time.

Fulfilment

To facilitate and grow our Digital 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 Digital 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 and luxury seller 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 the Farfetch 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 customer 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, 2019 was \$84.2 million, up 23.4% from \$68.2 million in the twelve months ended December 31, 2018. 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, 2019, we had 1,518 full-time data scientists, engineers and product employees, representing 33.5% 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 1,850 people by the end of 2020.

As announced previously, in 2019 we initiated a strategic partnership with Harrods, for which we increased our investment in technology by approximately \$10.5 million to accelerate developments 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.

Promotional Activity

The luxury market is subject to promotional activity. Promotions can be company-funded, partner-funded or a mix of both. We use promotions to drive consumer acquisition, retention and sales. We may elect to engage in promotional activity at times and at price levels we deem appropriate, or we may engage in promotional activity when we see market peers doing the same, and our performance may be impacted depending on the level of promotion and funding driven by the Company and the market condition.

In the fourth quarter of 2018 luxury retailers demonstrated a higher than expected level of promotional activity. This trend toward promotional activity intensified in 2019, and is expected to continue at least through the second quarter of 2020. This reflects global luxury fashion online retailers' significantly increased discounting and promotions, including earlier and larger discounts and more aggressive promotions culminating in unprecedented promotional activities in Summer 2019.

When competitors increase promotional activity, we can react to those promotions symmetrically by increasing our promotional activity, as we did in 2019. Alternatively, we can decide not to match competitors' promotional activity, which we believe improves our relationships with brands and, in turn, supply on the Farfetch Marketplace, as well as promoting the luxury nature of our brand, as we began to do in the second half of 2019. Promotional activity also has the potential to impact supply; if we decide not to incentivize promotional activity by our retailers by not funding, by reducing our funding, by requiring our retailers to fund promotions in whole or part, or if we increase the mix of partner-funded promotions (as we did in the fourth quarter of 2019), it could adversely impact our relationships with our retailers.

Investment in Innovation and Profitable Growth

We have historically invested in opportunities to advance our strategic objectives, including acquisitions, investments in our customers, and investments to deliver technology and other resources. Whilst these investments present various levels of risk and may result in lower profitability for the Company, we believe they will allow us to both widen and leverage our platform and expand our consumer base and offering.

During 2019, we continued to innovate and invest in our existing consumers, completing the roll-out of our loyalty program ACCESS which we believe has the potential to increase consumer engagement and 'spend per consumer'. As of January 31, 2020 there were approximately 1 million ACCESS members. 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. We also expect to continue to invest in our highest-value customers, continuing the investment we made in our private client offering in 2019. Private Client represents our highest spending and most engaged customer segment, and in 2019, the top 1% of our customers represented 27% of our revenue. During the year, we expanded our resources to serve this fast growing and highly valuable customer, to now have over 100 stylists servicing our VIPs in 20 cities around the world.

In 2019, in an effort to drive profitable growth, we introduced Farfetch Second Life, a new initiative we are piloting to give designer bags a second lease of life in exchange for credit to fund future purchases on our Marketplace.

In 2019, the Company made multiple acquisitions:

- In January 2019, we acquired Stadium Goods, a premium sneaker and streetwear marketplace.
- In February 2019, we acquired Toplife, JD.com's luxury platform and announced that as part of this agreement, Farfetch will gain 'Level 1' Access on the JD.com mobile app.
- In April 2019, we completed the previously announced acquisition of CuriosityChina, a leading integrated marketing and social commerce company.
- In July 2019, we completed the previously announced strategic partnership with Chalhoub Group to further our expansion in the Middle East.
- In August 2019, we acquired New Guards, a platform for the development of global fashion brands that complements the Group's strategy to be the global platform for luxury fashion.

We also expect to continue to invest in innovation. In 2018, we created an internal accelerator program, Dream Assembly. Selected startups go through a seven week series of workshops, inspirational talks, mentorship meetings and pitch training sessions. As part of Dream Assembly, the selected startups will receive €30,000 in a convertible note to help cover operating costs and expenses. As of December 31, 2019, we have had three cohorts of the program. At December 31, 2019, we had \$842,000 invested in these startups.

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 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.

Mergers and acquisitions. We have acquired several businesses recently and we continue to evaluate new opportunities as they arise. When we acquire new businesses, we are required to allocate the consideration payable to the assets acquired. Some of these assets, such as brand names and licenses and customers lists, need to be amortized over their estimated lives and hence we record an expense to reflect this. This expense impacts our reported results and if we acquire more businesses, we would expect this expense to increase.

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, 2017, 2018 and 2019. In addition, we no longer believe “Number of Orders” on the Farfetch Marketplace provides a meaningful view of business performance, and we will not report this metric going forward. We also believe it is more useful to present AOV for both the Farfetch Marketplace and Stadium Goods, as they operate at two different price points.

	Year ended December 31,		
	2017	2018	2019
(in thousands, except per share data and AOV)			
Consolidated Group:			
Gross Merchandise Value ("GMV") (1)	\$ 909,826	\$ 1,407,698	\$ 2,139,699
Revenue	385,966	602,384	1,021,037
Adjusted Revenue (1)	311,784	504,590	893,077
Gross Profit	204,766	298,450	459,846
Gross Profit Margin	53.1%	49.5%	45.0%
Loss After Tax	(112,275)	(155,575)	(373,688)
Adjusted EBITDA (1)	(58,079)	(95,960)	(121,376)
Adjusted EBITDA Margin (1)	(18.6%)	(19.0%)	(13.6%)
Earnings Per Share ("EPS")	\$ (0.50)	\$ (0.59)	\$ (1.21)
Adjusted EPS (1)	(0.39)	(0.38)	(0.56)
Digital Platform:			
Digital Platform GMV (1)	\$ 894,392	\$ 1,392,103	\$ 1,947,868
Digital Platform Services Revenue	296,350	488,995	701,246
Digital Platform Gross Profit	196,581	291,706	371,913
Digital Platform Gross Profit Margin (1)	66.3%	59.7%	53.0%
Digital Platform Order Contribution (1)	127,379	194,411	220,563
Digital Platform Order Contribution Margin (1)	43.0%	39.8%	31.5%
Active Consumers (1)	936	1,382	2,068
Average Order Value - Marketplace (1)	\$ 620	\$ 619	\$ 608
Average Order Value - Stadium Goods (1)	-	-	315
Brand Platform:			
Brand Platform GMV (1)	\$ -	\$ -	\$ 164,210
Brand Platform Revenue	-	-	164,210
Brand Platform Gross Profit	-	-	75,007
Brand Platform Gross Profit Margin	-	-	45.7%

(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.

A. Operating Results

This section on operating results analyzes both the consolidated Group results and the results by segment.

Key Operating Results and Operating Metrics of the Group

The following tables shows our consolidated results of operations for the years ended December 31, 2017, 2018 and 2019 and as a percentage of revenue.

	Year ended December 31,		
	2017	2018	2019
	(in thousands)		
Revenue	\$ 385,966	\$ 602,384	\$ 1,021,037
Cost of revenue	(181,200)	(303,934)	(561,191)
Gross profit	204,766	298,450	459,846
Selling, general and administrative	(295,960)	(471,766)	(869,609)
(Losses)/ gains on items held at fair value	(3,300)	-	21,721
Share of profits of associates	31	33	366
Operating loss	(94,463)	(173,283)	(387,676)
Net finance income/(costs)	(17,642)	19,866	15,150
Loss before tax	(112,105)	(153,417)	(372,526)
Income tax expense	(170)	(2,158)	(1,162)
Loss after tax	<u>\$ (112,275)</u>	<u>\$ (155,575)</u>	<u>\$ (373,688)</u>

	Year ended December 31,		
	2017	2018	2019
	(in percentages)		
Revenue	100.0%	100.0%	100.0%
Cost of revenue	(46.9)	(50.5)	(55.0)
Gross profit	53.1	49.5	45.0
Selling, general and administrative	(76.7)	(78.3)	(85.1)
(Losses)/ gains on items held at fair value	(0.7)	-	2.1
Share of profits of associates	(0.0)	(0.0)	0.0
Operating loss	(24.3)	(28.8)	(38.0)
Net finance income/(costs)	(4.6)	3.3	1.5
Loss before tax	(28.9)	(25.5)	(36.5)
Income tax expense	(0.1)	(0.4)	(0.1)
Loss after tax	<u>(29.0%)</u>	<u>(25.9%)</u>	<u>(36.6%)</u>

Comparison of Year Ended December 31, 2018 and 2019

Revenue

	Year ended December 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Revenue	\$ 602,384	\$ 1,021,037	\$ 418,653	69.5%
Less: Digital Platform Fulfilment Revenue	(97,794)	(127,960)	(30,166)	30.8%
Adjusted Revenue	<u>\$ 504,590</u>	<u>\$ 893,077</u>	<u>\$ 388,487</u>	<u>77.0%</u>

Revenue by type of good or service consisted of the following components:

	Year ended December 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Digital Platform Services Revenue	\$ 488,995	\$ 701,246	\$ 212,251	43.4%
Digital Platform Fulfilment Revenue	97,794	127,960	30,166	30.8%
Brand Platform Revenue	-	164,210	164,210	n/a
In-Store Revenue	15,595	27,621	12,026	77.1%
Total Revenue	\$ 602,384	\$ 1,021,037	\$ 418,653	69.5%

Revenue for the year ended December 31, 2019 increased by \$418.7 million, or 69.5%, compared to the year ended December 31, 2018. Adjusted Revenue for the year ended December 31, 2019 increased by \$388.5 million, or 77.0%, compared to the year ended December 31, 2018.

The increase was primarily driven by 43.4% growth in Digital Platform Services Revenue to \$701.2 million, and the addition of Brand Platform Revenue following the acquisition of New Guards which contributed \$164.2 million in the five months to December 31, 2019. Digital Platform Fulfilment Revenue increased 30.8% to \$128.0 million driven by Digital Platform Services GMV. In-Store Revenue increased 77.1% to \$27.6 million primarily due to the addition of revenue from New Guards' and Stadium Goods directly-operated stores as well as growth in Browns stores.

The increase in Digital Platform Services Revenue of 43.4% was driven by 39.9% growth in Digital Platform GMV, including 75.5% growth in first-party Digital Platform GMV, which is included in Digital Platform Services Revenue at 100% of the GMV. This was partially offset by a decline in Third-Party Take Rate from 32.0% to 30.7% year-over-year driven by an increased proportion of supply direct from brand partners in 2019. The increase in Digital Platform GMV was primarily driven by increases in Active Consumers from 1,382,000 at December 31, 2018, to 2,068,000 at December 31, 2019 (an increase of approximately 50%) year-over-year, driving an increase in the volume of orders, partially offset by a decrease in the blended Marketplace and Stadium Goods Average Order Values across the Digital Platform.

Digital Platform Fulfilment Revenue represents the pass-through of delivery and duties charges incurred by our global logistics solutions, net of any Farfetch-funded customer promotions and incentives. Digital Platform Fulfilment Revenue accounted for 12.5% of Revenue in 2019, down from 16.2% in 2018. While Digital Platform Fulfilment Revenue would be expected to grow in line with the cost of delivery and duties, which increase as Digital Platform GMV and order volumes grow, an increase in the level of Farfetch-funded promotions and incentives will decrease Digital Platform Fulfilment Revenue, as Digital Platform Fulfilment Revenue is recorded net of such promotions. Digital Platform Fulfilment Revenue increased 30.8%, a lower rate as compared to Digital Platform Services Revenue growth, due to an increase in the number of promotions across the first three quarters of the year.

Cost of revenue, gross profit and gross profit margin

	Year ended December 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Cost of revenue	\$ (303,934)	\$ (561,191)	\$ (257,257)	(84.6%)
Gross profit	298,450	459,846	161,396	54.1%
Gross profit margin	49.5%	45.0%		

Cost of revenue for the year ended December 31, 2019 increased by \$257.3 million, or (84.6%), compared to the year ended December 31, 2018, which was primarily driven by the increases in first-party GMV and the associated cost of goods, delivery costs associated with order fulfilment, duties incurred on cross-border transactions, cost of goods sold related to our increase in In-Store revenue and the addition of Brand Platform following the acquisition of New Guards which contributed \$89.2 million in the 5 months to December 31, 2019.

Our gross profit margin decreased from 49.5% to 45.0% for the year ended December 31, 2018 to the year ended December 31, 2019. This was primarily driven by a lower Digital Platform Gross Profit Margin which decreased from 59.7% for the year ended December 31, 2018, to 53.0% for the year ended December 31, 2019, due to an increased mix of first-party sales, as well as an increase of brand partner third-party sales in our total third-party sales mix, both of which have lower gross margin profiles, as well as the inclusion of the Brand Platform in the five months to December 31, 2019, which has a lower gross profit margin. The impacts were partially offset by an increase of In-Store gross profit margin, primarily due to the addition of New Guards' directly-operated stores.

Selling, general and administrative expenses

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

	Year ended December 31,		% Change	% of Adjusted Revenue	
	2018	2019		2018	2019
	(in thousands)				
Demand generation expense	\$ (97,295)	\$ (151,350)	(55.6%)	(19.3%)	(16.9%)
Technology expense	(68,224)	(84,207)	(23.4)	(13.5%)	(9.4%)
Depreciation and amortization	(23,537)	(113,591)	(382.6)	(4.7%)	(12.7%)
Share based payments	(53,819)	(158,422)	(194.4)	(10.7%)	(17.7%)
General and administrative	(228,891)	(345,665)	(51.0)	(45.4%)	(38.7%)
Other items	-	(16,374)	n/a	n/a	(1.8%)
Total	<u>\$ (471,766)</u>	<u>\$ (869,609)</u>	<u>(84.3%)</u>	<u>(93.5%)</u>	<u>(97.4%)</u>

Included within Other items are legal expenses related to acquisition activity and (gains)/losses on items held at fair value through profit and loss.

Demand generation expense

	Year ended December 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Demand generation expense	\$ (97,295)	\$ (151,350)	\$ (54,055)	(55.6%)

Demand generation expense consists primarily of fees that we pay on various media and affiliate partners. Demand generation expense for the year ended December 31, 2019 increased by \$54.1 million, or (55.6%), compared to the year ended December 31, 2018. Demand generation expense increased as a percentage of Digital Platform Services Revenue from (19.9%) in 2018 to (21.6%) in 2019, due to a higher proportion of paid investments in customer acquisition and retention efforts. This increase contributed to the higher volume of orders and Active Consumers. We continue to gain efficiencies in our demand generation spend by leveraging data insights to be more targeted in our digital marketing approach, and by scaling marketing operations globally.

Technology expense

	Year ended December 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Technology expense	\$ (68,224)	\$ (84,207)	\$ (15,983)	(23.4%)
Capitalized development costs	(50,978)	(78,401)	(27,423)	(53.8%)
Total cash investment in technology	<u>\$ (119,202)</u>	<u>\$ (162,608)</u>	<u>\$ (43,406)</u>	<u>(36.4%)</u>

Technology expense consists of technology research and of development, staffing costs and other IT costs, including software licensing. Technology expense for the year ended December 31, 2019 increased by \$16.0 million, compared to the year ended December 31, 2018. This was primarily driven by a 27.6% increase in technology staff headcount from 1,190 to 1,518 during 2019, as we continued to develop new technologies and enhance our digital platform features and services, as well as increased software, hosting and infrastructure expenses, to support the continued growth of the business. We continue to operate three globally distributed data centers, which support the processing of our growing base of transactions, including one in Shanghai dedicated to serving our Chinese customers.

Total investment in technology amounted to \$162.6 million during 2019, \$78.4 million of which was capitalized (\$2.1 million relates to acquired intangible assets as part of the acquisition of CuriosityChina) as compared to a total of \$119.2 million during 2018, \$51.0 million of which was capitalized.

Depreciation and amortization

	Year ended December 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Depreciation and amortization	\$ (23,537)	\$ (113,591)	\$ (90,054)	(382.6%)

Depreciation and amortization expense for the year ended December 31, 2019, increased by \$90.1 million, or (382.6%), compared to the year ended December 31, 2018, primarily driven by \$68.9 million increase in our amortization expenses from \$16.2 million to \$85.1 million year-over-year. Amortization expense increased principally due to \$55.4 million of amortization recognized on acquired intangible assets following the acquisitions of New Guards, Stadium Goods and Toplife during 2019. We also continued our technology investments, where qualifying technology development costs are capitalized and amortized over a three-year period, which contributed \$13.5 million to the increase in amortization expense year-over-year. Depreciation expense also increased by \$21.2 million, primarily driven by the first-time adoption of the new leasing accounting standard, IFRS 16, on January 1, 2019, resulting in our recognition of \$19.6 million of depreciation related to right-of-use assets in the year ended December 31, 2019. In 2018, the comparative expense for operating leases was included in general and administrative expense.

Share based payments

	Year ended December 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Share based payments	\$ (53,819)	\$ (158,422)	\$ (104,603)	(194.4%)

Share based payments for the year ended December 31, 2019 increased by \$104.6 million, or (194.4%), compared to the year ended December 31, 2018, which was primarily driven by the increase in employee grants due to an increase in headcount, and the additional acquisitions related grants during 2019. The movement year-on-year is also impacted by the share price trend, 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.

General and administrative expense

	Year ended December 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
General and administrative	\$ (228,891)	\$ (345,665)	\$ (116,774)	(51.0%)

General and administrative expense for the year ended December 31, 2019 increased by \$116.8 million, or (51.0%), compared to the year ended December 31, 2018, which was driven by the additional expenses related to Stadium Goods and New Guards, both of which were acquired during 2019, and an increase in headcount, excluding technology staff which are included in the technology expense above, from 1,991 to 3,067, an increase of 54.0%. We increased non-technology headcount across a number of areas to support the expansion of our business. Other increases were due to facilities and office costs and other fixed overhead costs. This was partially offset by a lower total employee cost per person and the impact of adopting IFRS 16 on January 1, 2019 as described above. General and administrative costs as a percentage of Adjusted Revenue decreased from (45.4%) to (38.7%) reflecting the impact of adopting IFRS 16, improved efficiency of our semi-variable and fixed costs, and the addition of New Guards, which operates with lower general and administrative costs as a percentage of revenue.

Other Items

	Year ended December 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Transaction-related legal and advisory expenses	\$ -	\$ (15,374)	\$ (15,374)	n/a
Impairment of investments carried at fair value	-	(5,000)	(5,000)	n/a
Release of tax provisions	-	4,000	4,000	n/a
Other items	\$ -	\$ (16,374)	\$ (16,374)	n/a

Other items represent items outside the normal scope of ordinary activities or non-cash items. Other items totaled \$16.4 million for the year ended December 31, 2019, consisting of \$15.4 million of transaction-related legal and advisory expenses and a \$5.0 million loss on impairment of investments carried at fair value, partially offset by a release of \$4.0 million of provisions related to taxes

Gains on items held at fair value through profit and loss

	Year ended December 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Change in fair value of put and call option liabilities	\$ -	\$ 43,247	\$ 43,247	n/a
Change in fair value of acquisition related consideration	\$ -	\$ (21,526)	\$ (21,526)	n/a
Gains on items held at fair value through profit and loss	\$ -	\$ 21,721	\$ 21,721	n/a

Fair value remeasurement totaled \$21.7 million, resulting from a \$44.8 million fair value revaluation gain from the partnership with Chalhoub Group, due to the remeasurement of the fair value of the non-cash consideration due to Chalhoub following the July 2019 completion of the previously announced partnership, partially offset by a \$1.6 million fair value revaluation loss from the consideration due for the subsequent acquisitions of the minority interests in CuriosityChina, and a \$21.5 million fair value remeasurement charge for shares issued in the acquisition of New Guards. There were no such items in 2018.

	2018	2019	\$ Change	% Change
	(in thousands)			
Unrealised exchange gains	26,922	22,856	(4,066)	(15.1%)
Interest on cash and cash equivalents and short-term deposits	11,260	11,527	267	2.4%
Finance income	38,182	34,383	(3,799)	(9.9%)
Unrealized exchange losses	(17,779)	(10,978)	6,801	(38.3%)
Lease interest	-	(3,472)	(3,472)	n/a
Other interest expense	(537)	(4,783)	(4,246)	790.7%
Finance costs	(18,316)	(19,233)	(917)	5.0%
Net finance income/(costs)	\$ 19,866	\$ 15,150	\$ (4,716)	(23.7%)

Unrealized exchange gains and losses fluctuate given the global nature of our business, where we earn revenue and incur expenses in a number of different currencies. For our accounting policy for foreign currency translations and how these are classified in our consolidated statement of operations, refer to Note 2.3(h) to our consolidated financial statements included elsewhere in this Annual Report.

Lease interest expense for the year ended December 31, 2019 amounted to \$3.5 million driven by the first-time adoption of the new leasing accounting standard, IFRS 16, on January 1, 2019. For further information on the impact of IFRS 16 and how leases are accounted for by the Group, refer to Note 17 to our consolidated financial statements included elsewhere in this Annual Report.

Other interest expense for the year ended December 31, 2019, increased by \$4.2 million, or (790.7%), compared to the year ended December 31, 2018, primarily driven by costs associated with a senior secured loan facility in place during 2019.

Adjusted EBITDA

	Year ended December 31,		\$ Change	% Change
	2018	2019		
	(in thousands)			
Adjusted EBITDA	\$ (95,960)	\$ (121,376)	\$ (25,416)	(26.5%)
% of Adjusted Revenue	(19.0%)	(13.6%)		

Adjusted EBITDA loss for the year ended December 31, 2019, increased by \$25.4 million, or (26.5%), compared to the year ended December 31, 2018. This was driven by an increase in general and administrative expenses of \$116.8 million, demand generation expense of \$54.1 million and technology expense of \$16.0 million, partially offset by an increase in gross profit of \$161.4 million, year-over-year, for the reasons described above. Although there was an increase in the Adjusted EBITDA loss compared to the year ended December 31, 2018, Adjusted EBITDA loss as a percentage of Adjusted Revenue decreased from (19.0%) to (13.6%), reflecting operational synergies as we continued to scale our business and the impact of adopting IFRS 16 on January 1, 2019, as described above, partially offset by a lower gross profit margin year-over-year.

Comparison of Year Ended December 31, 2017 and 2018

For a comparison of our consolidated results of operations for the years ended December 31, 2017 and 2018, refer to pages 63 through 67 of our Annual Report on Form 20-F for the fiscal year ended December 31, 2018 filed with the SEC on March 1, 2019.

Operating Results by Segment

Following the acquisition of New Guards, in the fourth quarter of 2019, we realigned our reportable operating segments to reflect the manner in which the business had become organized and how performance had become internally evaluated. Prior to this realignment, we had one reportable operating segment resulting from the aggregation of four operating segments: (1) Farfetch Marketplace, (2) Farfetch Black and White, (3) Farfetch Store of the Future and (4) Browns stores. As at December 31 2019, we have three operating segments (A) Digital Platform, (B) Brand Platform and (C) In-Store. Historical periods presented in this Annual Report reflect our three reportable operating segments.

Digital Platform

The Digital Platform segment activities include the Farfetch Marketplace, Farfetch Platforms Solutions, StadiumGoods.com, Farfetch Store of the Future, and any other online sales channel operated by the Group, including the respective websites of the brands in the New Guards portfolio. It derives its revenues mostly from transactions between sellers and consumers conducted on our dematerialized platforms.

Brand Platform

The Brand Platform segment is comprised of business-to-business activities of the brands in the New Guards portfolio. It includes design, production, brand development and wholesale distribution of brands owned and licensed by New Guards, including the franchised store operations.

In-Store

The In-Store segment covers the activities of Group-operated stores including Browns, Stadium Goods and stores for brands in the New Guards portfolio. Revenues are derived from sales made in the physical stores.

There are no intersegment transactions that require elimination. Order Contribution is used to assess the performance and allocate resources between the segments. The operating segment disclosures required under IFRS 8 are provided in Note 6 ("Segmental and geographical information") to our consolidated financial statements, included elsewhere in this Annual Report. During the year ended December 31, 2018, we had reported only one reportable operating segment.

The tables and discussion below set forth financial information and analysis of our three reportable operating segments for the years ended December 31, 2017, 2018 and 2019:

Digital Platform:

	Year ended December 31,		
	2017	2018	2019
Digital Platform:	(in thousands)		
Services Revenue	\$ 296,350	\$ 488,995	\$ 701,246
Fulfilment Revenue	74,182	97,794	127,960
Revenue	370,532	586,789	829,206
Less: Cost of revenue	(173,951)	(295,080)	(457,293)
Gross profit	196,581	291,706	371,912
Less: Demand generation expense	(69,202)	(97,295)	(151,350)
Order contribution	\$ 127,379	\$ 194,411	\$ 220,562

Digital Platform grew across all measures of profitability reflecting the increased scale of our global business, both from a supply and demand perspective. There has been significant organic growth as we continued to expand our share of the online luxury market, further supplemented by our continued marketing efforts which generated growth in new consumers and demand growth from existing consumers across international markets. During 2019, the company made multiple acquisitions as described above including Stadium Goods, Toplife, CuriosityChina, and New Guards which contributed to the continued scale and growth of our Digital Platform.

Digital Platform Services Revenue for the year ended December 31, 2019 increased by \$212.2 million, or 43.4%, to \$701.2 million, and for the year ended December 31, 2018 increased \$192.6 million, or 65.0%.

This increase in 2019 was driven by 39.9% growth in Digital Platform GMV and 76.4% growth in first-party Digital Platform GMV which is included in Digital Platform Services Revenue at 100% of the GMV. This was partially offset by a decline in Third-Party Take Rate from 32.9% to 30.7% year-over-year driven by an increased proportion of supply direct from brand partners in 2019. The increase in Digital Platform GMV was primarily driven by increases in Active Consumers from 1,381,900 at December 31, 2018, to 2,067,500 at December 31, 2019 (an increase of 49.6%) year-over-year, driving an increase in the volume of orders, partially offset by a decrease in Average Order Values as a result of the acquisition of Stadium Goods.

The increase in 2018 was a function of growth in GMV of 55.7% 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 orders increasing by over 50%. This was driven by growth in Active Consumers from 936,000 to 1,382,000 (an increase of approximately 48%) 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.

Digital Platform Fulfilment Revenue represents the pass-through of delivery and duties charges incurred by our global logistics solutions, net of any Farfetch-funded customer promotions and incentives. Whilst Digital Platform Fulfilment Revenue would be expected to grow in line with the cost of delivery and duties, which increase as Digital Platform GMV and order volumes grow, an increase in the level of Farfetch-funded promotions and incentives will decrease Digital Platform Fulfilment Revenue, as Digital Platform Fulfilment Revenue is recorded net of such promotions. Digital Platform Fulfilment Revenue increased 30.8% in 2019 and 31.8% in 2018, a lower rate as compared to Digital Platform Services Revenue growth, due to an increase in the volume of orders including free-shipping and other promotions.

Cost of revenue for the year ended December 31, 2019 increased by \$257.3 million, or 84.6%, compared to the year ended December 31, 2018, and by \$121.1 million for the year ended December 31, 2018, compared to the year ended December 31, 2017, which was primarily driven by the increases in first-party GMV and the associated cost of goods, delivery costs associated with order fulfilment, duties incurred on cross-border transactions.

Our Digital Platform gross profit margin decreased from 59.7% to 53.0% for the year ended December 31, 2018 to the year ended December 31, 2019, and from 66.3% to 59.7% for the year ended December 31, 2017 to the year ended December 31, 2018, due to an increased mix of first-party sales, as well as an increase of brand partner third-party sales in our total third-party sales mix, both of which have differing gross margin profiles.

Demand generation expense for the year ended December 31, 2019 increased by \$54.1 million, or 55.6%, compared to the year ended December 31, 2018 and by \$28.1 million or 40.6% for the year ended December 31, 2018 compared to the year ended December 31, 2017. Demand generation expense as a percentage of Digital Platform Services Revenue moved from (23.4%) in 2017, (19.9%) in 2018 to (21.6%) in 2019, due to a period of improved efficiencies in our spend and scalability in our marketing operations in 2018, followed by a period of higher proportion of paid investments in customer acquisition and retention efforts in 2019 in our existing markets and in our continued international expansion into emerging markets across all channels.

Digital Platform Order Contribution Margin fell over the period, from 43.0% in 2017 to 39.8% in 2018 and to 31.5% in 2019 due to the shift in mix towards first-party Digital Platform sales and brand partner sales, both with differing gross margin profiles, and increased investments in customer acquisition and retention efforts.

Brand Platform:

	Year ended December 31,		
	2017	2018	2019
	(in thousands)		
Brand Platform:			
Revenue	n/a	n/a	\$ 164,210
Less: Cost of revenue	n/a	n/a	(89,203)
Gross profit or order contribution	\$ -	\$ -	\$ 75,007

Brand Platform is a new segment in 2019, following the acquisition of New Guards in August 2019, contributing with \$164.2 million of Revenue and \$75.0 million of Gross profit in the 5 months to December 31, 2019. Brand Platform expands the Farfetch Marketplace proposition with a broad selection from the New Guards' portfolio of brands, including Off-White, Palm Angels, Heron Preston, and Marcelo Burlon County of Milan, along with exclusive capsule collections and collaborations to further enrich the customer experience and boost consumer engagement with the Farfetch brand.

In-Store:

	Year ended December 31,		
	2017	2018	2019
	(in thousands)		
In-Stores:			
Revenue	15,434	15,595	27,621
Less: Cost of revenue	(7,249)	(8,851)	(14,695)
Gross profit or order contribution	\$ 8,185	\$ 6,744	\$ 12,926

In-Store segment Revenue increased 77.1% to \$27.6 million in the period ended 2019, following a period of growth stability and primarily due to the addition of revenue from New Guards and Stadium Goods directly-operated stores as well as steady growth in Browns stores.

Changes in Accounting Policies and Disclosures

Amendments to Standards That Are Mandatorily Effective for the Current Year

During the year ended December 31, 2019, 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, 2019.

- IFRS 16 Leases (effective January 1, 2019)

The adoption of this new standard has had a material impact on the disclosure and the amounts reported in the consolidated financial statements. For further details, please see Note 2.4 and Note 17 to our consolidated financial statements included in this Annual Report.

New and Revised Standards in Issue But Not Yet Effective

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

- IFRS 3 Business Combinations (effective January 1, 2020)

'Definition of a Business (Amendments to IFRS 3)' clarifies the definition and application guidance for when an entity assesses whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first reporting period beginning on or after January 1, 2020. 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 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 consolidated financial statements included elsewhere in this Annual Report.

B. Liquidity and Capital Resources

General

As of December 31, 2019, we had cash and cash equivalents of \$322.4 million. Our cash and cash equivalents consist primarily of cash in bank accounts and short-term 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, business combinations and general corporate purposes. On February 5, 2020, we completed the private placement of convertible senior notes to Tencent and Dragoneer, pursuant to which we received \$250 million and issued the notes to the purchasers. The notes will mature on December 31, 2025, unless earlier converted, redeemed or repurchased in accordance with their terms. We believe that our sources of liquidity and capital will be sufficient to meet our business needs in the next 12 months. Our capital expenditures consist 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.

	Year ended December 31,		
	2017	2018	2019
	(in thousands)		
Net cash outflow from operating activities	\$ (59,320)	\$ (116,205)	\$ (126,642)
Net cash outflow from investing activities	(28,863)	(63,538)	(583,503)
Net cash inflow from financing activities	300,142	859,526	(15,249)
Net increase in cash and cash equivalents	<u>\$ 211,959</u>	<u>\$ 679,783</u>	<u>\$ (725,394)</u>

Net Cash Outflow From Operating Activities

Net cash outflow from operating activities increased by \$10.4 million to \$126.6 million in the year ended December 31, 2019 compared to \$116.2 million in the year ended December 31, 2018. The increase is mainly due to an increase in the loss after tax adjusted for non-cash items of \$66.3 million, partially offset by a benefit in working capital of \$57.8 million.

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 adjusted for non-cash items of \$14.3 million and the movement across working capital of \$36.7 million.

Net Cash Outflow From Investing Activities

Net cash outflow from investing activities increased to \$594.8 million in the year ended December 31, 2019 from \$63.5 million in the year ended December 31, 2018, an increase of \$531.3 million. The increase was primarily due to the acquisitions of Stadium Goods, CuriosityChina and New Guards. See Note 5 on Business combinations for more details.

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). In line with headcount growth, we increased investments in office facilities and computer equipment spend, increasing from \$12.6 million to \$21.1 million over the period.

Net Cash Outflow From Financing Activities

Net cash outflow from financing activities was \$15.3 million due mainly to repayments on finance leases.

Net cash inflow from financing activities increased to \$859.5 million in the year ended December 31, 2018, from \$300.1 million in the year ended December 31, 2017, an increase of \$559.4 million. 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.

Indebtedness

On February 5, 2020, we completed the private placement of convertible senior notes (the “Notes”) to Tencent and Dragoneer (together, the “Purchasers”), pursuant to which we received \$250 million and issued the Notes to the Purchasers. The Notes will mature on December 31, 2025, unless earlier converted, redeemed or repurchased in accordance with their terms. The Notes are our senior, unsecured obligations and bear interest at a rate of 5% per year, payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year, commencing on March 31, 2020. The Notes may be converted at an initial conversion price of \$12.25. Upon conversion, the Notes will be settled, at our election, in our Class A ordinary shares, cash, or a combination of cash and Class A ordinary shares (subject to certain exceptions set forth in the Indenture). Holders of the Notes will have the right to require us to repurchase all or some of their Notes for cash at 100% (or 150%, in the event of a change in control, as defined in the Indenture) of their principal amount, plus all accrued and unpaid interest to, and including, the maturity date, upon the occurrence of certain corporate events, subject to certain conditions.

We may not redeem the Notes prior to the fourth anniversary of the closing date, unless certain changes in tax law or other related events occur. We may redeem all, but not less than all, of the Notes, at our option, four years after the closing date, but on or before the 35th scheduled trading day immediately preceding the maturity date, at a redemption price equal to 165% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, and excluding, the redemption date.

Share Based Payments

Employees receive remuneration in the form of share based payments in the form of either equity or cash settled depending on the scheme. For further details, See Note 2.3 (o), to our 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, 2019 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 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, 2019, there were no off-balance sheet arrangements reasonably likely to have a material effect on the Company.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2019:

<u>Contractual Obligations</u>	<u>Payments due by period</u>				
	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>more than 5 years</u>
Operating Lease Obligations	\$ 140,268	\$ 24,065	(in thousands) \$ 44,282	\$ 34,705	\$ 37,216
Purchase Obligations	86,249	67,517	18,732	-	-
Total	<u>\$ 226,517</u>	<u>\$ 91,582</u>	<u>\$ 63,014</u>	<u>\$ 34,705</u>	<u>\$ 37,216</u>

The contractual obligations relate primarily to marketing, consulting, maintenance, license agreements, cloud services, and other third-party agreements.

G. Safe Harbor

See the section entitled "Cautionary Statement Regarding Forward-Looking Statements" at the beginning of this Annual Report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Executive Officers and Board Members

The following table presents information about our current executive officers and Board, including their ages as of March 11, 2020:

<u>Name</u>	<u>Age</u>	<u>Position</u>
<i>Executive Officers</i>		
José Neves	45	Chief Executive Officer and Co-Chair of the Board
Elliot Jordan	44	Chief Financial Officer
Stephanie Phair	41	Chief Customer Officer
<i>Board Members</i>		
Dana Evan(1)(2)	60	Board Member
Jon Kamaluddin(1)	46	Board Member
Dr. Jon Jainwen Liao, PhD	52	Board Member
Natalie Massenet(3)	54	Co-Chair of the Board
Danny Rimer(2)(3)	49	Board Member
Michael A. Risman(1)	51	Board Member
David Rosenblatt(2)(3)	51	Board Member

- (1) Member of the audit committee.
(2) Member of the compensation committee.
(3) Member of the nominating and corporate governance committee.

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 is a Non-Executive Board Member and Chair of the Audit Committee at HM Land Registry. 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.

Stephanie Phair has served as our Chief Customer Officer since August 2019, prior to which she had served as our Chief Strategy Officer since November 2016. Ms. Phair was previously founder and President of TheOutnet.com and was part of the Executive team of the Net-a-Porter Group from 2009 to 2015. She has more than 20 years of luxury and e-commerce experience, having worked for Issey Miyake, American Vogue and at Portero in New York. Most recently, she has consulted with a number of start-ups in the digital space and advised private equity firms on investments. She is also an advisor for venture capital firm Felix Capital and sits on the board of Moncler SpA. In May 2018, Ms. Phair was appointed as chairman of the British Fashion Council. Ms. Phair holds an MA in Politics, Philosophy and Economics from Oxford University and speaks four languages.

Board Members

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 Survey Monkey Inc., Domo Inc., Box, Inc. and Proofpoint, Inc. Ms. Evan also serves on the board of a private technology company. Ms. Evan has also served on the board of directors of Criteo S.A. from 2013 to 2017, Fusion-IO, Inc. from 2011 until it was acquired by SanDisk in August 2014, Everyday Health Inc. until it was acquired by Ziff Davis, LLC in December 2016, and Omniture, Inc., until it was acquired by Adobe Systems Inc. in 2009. In 2019, Ms. Evan was selected as the Director of the Year by the National Association of Corporate Directors. Ms. Evan holds a B.S. degree in Commerce 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 serves on the boards of several private companies and as Chairman of one such private company board. 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 China United Network Communications Limited, Yonghui Superstores Co., Ltd. and Chongqing Tesilian Intelligent Technology 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 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.

Danny Rimer has served as an observer since 2011 and as a non-executive director since February 2015. Mr. Rimer has been a 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 its 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 a MBA from the Stanford University Graduate School of Business.

Director Nomination and Appointment Rights

On June 21, 2017, Kadi Group Holding Limited ("Kadi Group"), a wholly owned subsidiary of JD.com, completed the purchase of an equity interest in Farfetch.com. 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, 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, 2019, 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, 2019 was \$2,125,000. In addition, our executive officers and members of our Board were granted an aggregate of 2,044,169 shares subject to stock options in the year ended December 31, 2019 pursuant to the 2018 Farfetch Employee Equity Plan (as defined below). These stock options are subject to varying vesting schedules over a multi-year period. We have not set aside or accrued any amounts to provide pension, retirement or similar benefits to our executive officers or members of our Board.

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 three-month (in the case of Ms. Phair), six-month (in the case of Mr. Jordan) 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. Andrew Robb, our former Chief Operating Officer, terminated his employment agreement as of February 5, 2020.

We have also entered into written service agreements with each of Dana Evan, Jonathan Kamaluddin, David Rosenblatt and Natalie Massenet, each of whom serves as director on our Board, 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 gross 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 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 its 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 it or its 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. The LTIP is closed to any new grants.

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, 2019, there were 3,323,725 restricted linked Class A ordinary shares.

Additional Individual Option Schemes

We have entered into letter agreements with certain employees in connection with the acquisition of Fashion Concierge UK Limited (“Fashion Concierge”) on October 31, 2017, as subsequently amended in August, 2019. 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 certain specified dates or (2) cease employment due to a good leaver termination prior to such date(s) (such grant of shares, the “Deferred Share Issuance”). These 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.

Each of these employees received 25% of the shares issuable to such employee pursuant to the Deferred Share Issuance on June 30, 2019. These employees will be eligible to receive the remaining 75% of the shares issuable under the Deferred Share Issuance at the same time as the shares under the Conditional Share Issuance are granted to such employees, if any, subject to their continued employment through such date (or prior to such date, a cessation of their employment due to a good leaver termination).

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 adopted 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 eight directors, six 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 Dana Evan, Jon Kamaluddin and Michael Risman, with Jon Kamaluddin serving as Chair. The audit committee consists 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 applicable SEC rules. Our Board has determined that Messrs. Kamaluddin and Risman and Ms. Evan each satisfy the “independence” requirements set forth in Rule 10A-3 under the Exchange Act and 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 is available on our website at www.farfetchinvestors.com. The information contained on our website is not incorporated by reference in this Annual Report.

The audit committee is responsible for, among other things:

- the appointment, compensation, retention and oversight of the independent registered public accounting firm and 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 registered public accounting firm before the firm is engaged to render such services;
- evaluating the independent registered public accounting firm's qualifications, performance and independence on at least an annual basis;
- reviewing and discussing with the Board and the independent registered public accounting firm our annual consolidated financial statements and quarterly earnings releases prior to the filing of our annual report and the public disclosure of our quarterly earnings releases;
- 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 consolidated financial statements, and assessing our risk management, compliance procedures and hiring of independent registered public accounting firm employees;
- approving or ratifying any related person transaction (as defined in our related person transaction policy) in accordance with our related person transaction policy; and
- reviewing with management and the independent registered public accounting firm, at least annually, our code of conduct and reviewing and reassessing the adequacy of the procedures in place to enforce the code of conduct.

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 and David Rosenblatt, with Dana Evan serving as Chair. Under applicable SEC and NYSE rules, there are heightened independence standards for members of the compensation committee. All of the members of our compensation committee members meet these heightened standards. The compensation committee is governed by a charter that is available on our website at www.farfetchinvestors.com. The information contained on our website is not incorporated by reference in this Annual Report.

The compensation committee is responsible for, among other things:

- identifying, reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer and evaluating the Chief Executive Officer's performance in light of these objectives and goals;
- reviewing and setting compensation for our other executive officers and members of our executive team;
- determining the long-term incentive component of our management's compensation in line with the remuneration policy and reviewing our management's compensation and benefits policies generally;
- reviewing and making recommending to the Board regarding director compensation; 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, Danny Rimer and David Rosenblatt, with Natalie Massenet serving as Chair. The nominating and corporate governance committee is governed by a charter that is available on our website at www.farfetchinvestors.com. The information contained on our website is not incorporated by reference in this Annual Report.

The nominating and corporate governance committee is responsible for, among other things:

- 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; and
- developing and recommending to the Board our corporate governance guidelines and reviewing and reassessing the adequacy of such corporate governance guidelines 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 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, 2019, we had a total of 4,532 employees, which included 231 Browns, 184 Stadium Goods and 262 New Guards employees, and we had an additional 134 people working pursuant to freelance and consultancy contracts. Our employees are based in 14 countries, and 51% of our employees were female and 49% were male as of December 31, 2019. The table below sets out the number of employees by geography.

<u>Geography</u>	<u>As of December 31, 2019</u>
Portugal	2,304
United Kingdom	875
United States	411
Mainland China	336
Italy	251
Brazil	122
Russia	63
Japan	60
Hong Kong	50
United Arab Emirates	44
India	8
France	6
Mexico	1
Australia	1
Total	4,532

As of December 31, 2019, approximately 32% 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, 2019, 2018 and 2017:

<u>Department</u>	<u>As of December 31, 2017</u>	<u>As of December 31, 2018</u>	<u>As of December 31, 2019</u>
Technology and Product	802	1,241	1,465
Operations	759	1,017	1,801
Browns	133	177	-
Marketing	157	207	222
Commercial	114	146	213
People	100	125	184
Finance and Legal	95	130	233
Data Department	-	-	92
Other	127	189	322
Total	2,287	3,232	4,532

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. Directors, 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, 2020, 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 current executive officers and our directors; and
- (c) all of our current executive officers and our directors 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, 2020 through the exercise of any option, warrant or other right and the release 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.

	Class A ordinary shares		Class B ordinary shares (1)		Combined voting power (2)
<u>Name of beneficial owner</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
Holders of 5% or Greater					
Kadi Group Holding Limited (3)	42,366,665	14.3%	-	-	3.7%
Morgan Stanley (4)	38,984,008	13.1%	-	-	3.4%
Index Ventures V (Jersey), L.P. (5)	27,780,375	9.4%	-	-	2.4%
Farhold (Luxembourg) (6)	19,047,241	6.4%	-	-	1.7%
Tybourne Capital Management (HK) Limited (7)	18,071,377	6.1%	-	-	1.6%
Executive Officers and Directors					
José Neves (8)	2,191,076	*	42,858,080	100%	74.3%
Elliot Jordan (9)	725,836	*	-	-	*
Stephanie Phair (10)	490,348	*	-	-	*
Dana Evan (11)	686,875	*	-	-	*
Jon Kamaluddin(12)	302,985	*	-	-	*
Dr. Jon Jainwen Liao, Ph.D. (13)	-	*	-	-	*
Natalie Massenet (14)	788,460	*	-	-	*
Danny Rimer (15)	-	*	-	-	*
Mike Risman (16)	-	*	-	-	*
David Rosenblatt (17)	295,211	*	-	-	*
Executive officers and directors as a group (10 persons) (18)	5,480,791	1.8%	42,858,080	100%	74.5%

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

(1) The Class B ordinary shares are exchangeable for Class A ordinary shares on a one-for-one basis, subject to customary conversion rate adjustments for share splits, share dividends and reclassifications. Beneficial ownership of Class B ordinary shares reflected in this table has not also been reflected as beneficial ownership of Class A ordinary shares for which such Class B ordinary shares may be exchanged.

(2) 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, 2020, 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.

(3) Based on information reported on a Schedule 13G filed on November 27, 2018, each of Kadi Group Holding Limited, JD.com Investment Limited and JD.com, Inc. have shared voting power and shared dispositive power over 42,366,665 of our Class A ordinary shares. All shares of Kadi Group Holding Limited are directly held by JD.com Investment Limited, and all shares of JD.com Investment Limited are directly owned by JD.com, Inc. The business

address of Kadi Group Holding Limited is Geneva Place, Waterfront Drive, P.O. Box 3469, Road Town, Tortola, British Virgin Islands. The business address of JD.com, Inc. is 20th Floor, Building A, No. 18 Kechuang 11 Street, Yizhuang Economic and Technological Development Zone, Daxing District, Beijing 101111, The People's Republic of China. The business address of JD.com Investment Limited is Offshore Incorporations Centre, P.O. Box 957, Road Town, Tortola, British Virgin Islands.

- (4) Based on information reported on a Schedule 13G/A filed on February 14, 2020, Morgan Stanley has shared voting power over 31,251,334 of our Class A ordinary shares and shared dispositive power over 38,984,008 of our Class A ordinary shares. Morgan Stanley Asia Limited has shared voting power over 6,952,188 of our Class A ordinary shares and shared dispositive power over 13,580,101 of our Class A ordinary shares and Morgan Stanley Investment Management Inc. has shared voting power over 24,299,146 of our Class A ordinary shares and shared dispositive power over 25,403,907 of our Class A ordinary shares. The business address of Morgan Stanley and Morgan Stanley Investment Management Inc. is 1585 Broadway New York, NY 10036. The business address of Morgan Stanley Asia Limited is Level 46 International Commerce Centre 1 Austin Road West, Kowloon.
- (5) Based on information reported on a Schedule 13G filed on February 12, 2019, Index Ventures V (Jersey), L.P. has sole investment and dispositive power over 27,780,375 of our Class A ordinary shares, Yucca (Jersey) SLP has sole investment and dispositive power over 354,500 of our Class A ordinary shares and Index Ventures V Parallel Entrepreneur Fund (Jersey) L.P. has sole investment and dispositive power over 225,055 of our Class A ordinary shares. Index Venture Associates V Limited ("IVA V") is the general partner 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.
- (6) Based on information reported on a Schedule 13G/A filed on February 10, 2020, each of Farhold (Luxembourg) S.à r.l., Vitruvian II Luxembourg S.à r.l., VIP II Nominees Limited and Vitruvian Partners LLP has shared voting and dispositive power over 19,047,241 of our Class A ordinary shares. All shares of Farhold (Luxembourg) S.à r.l. are owned by Vitruvian II Luxembourg S.à r.l. VIP II Nominees Limited, in its capacity as nominee for and on behalf of certain English limited partnerships (collectively, the "VIP II Funds"), is the sole shareholder of Vitruvian II Luxembourg S.à r.l. Vitruvian Partners LLP manages each of the VIP II Funds as its general partner and investment manager and is the sole shareholder of VIP II Nominees Limited. The business address of Farhold (Luxembourg) S.à r.l. and Vitruvian II Luxembourg S.à r.l. is 21, rue Philippe II, L-2340 Luxembourg. The business address of VIP II Nominees Limited and Vitruvian Partners LLP is 105 Wigmore Street, London, W1U 1QY, United Kingdom.
- (7) Based on information reported on a Schedule 13G filed on February 14, 2020, each of Tybourne Capital Management (HK) Limited ("Tybourne HK"), Tybourne Capital Management Limited ("Tybourne Cayman"), Tybourne Kesari Limited ("Tybourne Kesari") and Viswanathan Krishnan ("Mr. Krishnan") has shared voting and dispositive power over 18,071,377 of our Class A ordinary shares. The Class A ordinary shares are held for the accounts of private investment funds for which Tybourne HK serves as the investment advisor. Tybourne Cayman serves as the manager to Tybourne Master Fund and the parent of Tybourne HK. Tybourne Kesari is the parent of Tybourne Cayman. Mr. Krishnan is the principal and sole shareholder of Tybourne Kesari. In such capacities, Tybourne HK, Tybourne Cayman, Tybourne Kesari and Mr. Krishnan may be deemed to have voting and dispositive power over securities held for the private investment funds. The address of the principal business office of each Tybourne HK and Mr. Krishnan is 30/F, AIA Central, 1 Connaught Road Central, Hong Kong, K3. The address of the registered office of each Tybourne Cayman and Tybourne Kesari is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.
- (8) As to the number and percentage reflected under the columns "Class A Ordinary Shares," represents for Mr. Neves (a) 426,863 Class A ordinary shares and (b) 1,764,213 Class A ordinary shares underlying options and restrictive stock units ("RSUs") that are currently vested and exercisable or that vest within 60 days of January 31, 2020. As to the number and percentage reflected under the columns "Class B Ordinary Shares," represents for Mr. Neves 42,858,080 Class B ordinary shares held by TGF Participations Limited. 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 those Class B ordinary shares. The business address of TGF Participations Limited is Grosvenor House, 66-67 Athol Street, Douglas, Isle of Man IM1 1JE. The amounts reported in the table above do not include 147,160 Class A ordinary shares underlying vested stock option held by Mr. Neves' spouse over which Mr. Neves may be deemed to have beneficial ownership but as to which Mr. Neves disclaims such beneficial ownership.
- (9) Represents for Mr. Jordan (a) 500,056 Class A ordinary shares and (b) 225,780 Class A ordinary shares underlying options and RSUs that are currently vested and exercisable or that vest within 60 days of January 31, 2020.
- (10) Represents for Ms. Phair (a) 263,360 Class A ordinary shares and (b) 226,988 Class A ordinary shares underlying options and RSUs that are currently vested and exercisable or that vest within 60 days of January 31, 2020.
- (11) Represents for Ms. Evan (a) 10,000 Class A ordinary shares and (b) 676,875 Class A ordinary shares underlying options that are currently vested and exercisable or that vest within 60 days of January 31, 2020.
- (12) Includes for Mr. Kamaluddin (a) 164,034 Class A ordinary shares and (b) 138,951 Class A ordinary shares underlying options that are currently vested and exercisable.
- (13) Dr. Liao is an employee of JD.com and has no voting or dispositive power over the shares beneficially owned by JD.com.
- (14) Represents for Ms. Massenet (a) 150,000 Class A ordinary shares and (b) 638,460 Class A ordinary shares underlying options that are currently vested and exercisable.
- (15) 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 4 above.
- (16) Mr. Risman is the Managing Partner and founding member of Vitruvian Partners LLP, which manages funds that are beneficial holders of our Class A ordinary shares. Based on a Schedule 13G/A filed on February 14, 2020, Mr. Risman does not hold voting or dispositive power over the Class A ordinary shares held by Vitruvian Partners LLP or its funds. See footnote 6 above.
- (17) Represents for Mr. Rosenblatt (a) 81,916 Class A ordinary shares and (b) 213,295 Class A ordinary shares underlying options that are currently vested and exercisable. The amounts reported in the table above do not include 18,000 Class A ordinary shares held by Mr. Rosenblatt's spouse over which Mr. Rosenblatt may be deemed to have beneficial ownership but as to which Mr. Rosenblatt disclaims such beneficial ownership.
- (18) Includes 3,884,562 Class A ordinary shares underlying options and RSUs that are, as applicable, currently vested and exercisable or that vest within 60 days of January 31, 2020.

To our knowledge, other than as provided in the table above, our other filings with the SEC and public disclosure and this Annual Report, there has been no significant change in the percentage ownership held by any major shareholder since January 1, 2017.

As of January 31, 2020, there were 297,017,774 of our Class A ordinary shares outstanding. To our knowledge, 170,986,266 Class A ordinary shares, representing approximately 57.6% of our total outstanding Class A ordinary shares, were held by 20 record shareholders with registered addresses in the United States.

We are not aware of any arrangement that may at a subsequent date, result in a change of control of the Company.

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., Yucca (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 IPO (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., a subsidiary of JD.com ("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 February 26, 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 February 26, 2019, we also entered into a Merchant Agreement with JD.com International Limited (the “MA”), to create a flagship store operated by Farfetch 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

On February 14, 2013, Condé Nast International Limited (“CNI”) completed the purchase of an 8.37% equity position of Farfetch.com for \$11,999,996. On April 29, 2014 and February 13, 2015, CNI purchased further equity of Farfetch.com, resulting in an equity position of 8.18%. On June 13, 2017, Farfetch.com issued further equity to Advance Magazine Publishers Inc. (“Advance Magazine”) and CN Commerce Ltd (“CN Commerce,” together with CNI and Advance Magazine, “Conde Nast”) in connection with the Asset Purchase Agreement summarized below. Each of Advance Magazine and CN Commerce is an affiliate of CNI. Conde Nast ceased to be a related party in March 2019.

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 are 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 an FPS 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 the 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.

Relationship with Alanui

Alanui S.r.L. (“Alanui”) is an associate of our subsidiary New Guards Group Holding S.p.A, which owns a stake of 53% but it does not have control over the entity. Alanui is one of the brands in the New Guards portfolio. New Guards owns the Alanui intellectual property, and produces and distributes Alanui merchandise. We recognized sales of \$291,000 during the post-acquisition period between August and December 2019. As at December 31, 2019, the Group had trade receivables of \$291,000 and trade payables of \$188,000.

Agreements with Executive Officers and Directors

We have entered into employment agreements with our executive officers and service agreements with our directors. Information on these agreements may be found in this Annual Report under Item 6. “Directors, Senior Management and Employees—B. Compensation” and is incorporated herein by reference.

Indemnification Agreements

We have entered into indemnification agreements with our directors and executive officers pursuant to which we have agreed to indemnify them against a number of liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or executive officer of the company. A copy of the Form of Indemnification Agreement is included as Exhibit 10.1 to the company’s Registration Statement on Form F-1, as amended (File No. 333-226929), filed with the SEC on August 20, 2018, and is incorporated by reference herein. In addition to such indemnification, we provide our board of directors and executive officers with directors’ and officers’ liability insurance.

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.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Consolidated financial statements

See Item 18. "Consolidated financial statements."

Legal and Arbitration Proceedings

From time to time, we may be involved in various claims and proceedings arising in the course of our business and operations. The outcome of any such claims or proceedings, regardless of the merits, is inherently uncertain. For example, in September 2019, following periods of volatility in the market price of our Class A ordinary shares, two putative class action lawsuits were filed in the United States against us and certain of our directors and officers, among others, under the U.S. federal securities laws. The lawsuits are captioned *Omdahl v. Farfetch Limited et al* and *City of Coral Springs Police Officers' Retirement Plan v. Farfetch Limited et al*, both pending in the United States District Court for the Southern District of New York. The Omdahl lawsuit asserts claims against us, certain of our current and former directors and officers, and the underwriters of our September 2018 IPO pursuant to Sections 11 and 15 of the Securities Act. The City of Coral Springs lawsuit asserts claims against the same individuals under Sections 11, 12, and 15 of the Securities Act, and also asserts claims against us and certain of our current and former directors and officers for alleged violations of Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 of the Exchange Act. In each case, the named plaintiff seeks to represent a proposed class of all persons who purchased or otherwise acquired our common stock during the period of September 21, 2018 to August 8, 2019. The complaints seek damages purportedly caused by alleged materially misleading statements and/or material omissions by us and the individual officers regarding our growth potential and business model. Our deadline to respond to these lawsuits has been stayed pending appointment of a lead plaintiff. We intend to vigorously contest these claims. While the outcome of any complex legal proceeding is inherently unpredictable and subject to significant uncertainties, based upon information presently known to management, we believe that the potential liability, if any, will not have a material adverse effect on our financial condition, cash flows or results of operations.

Dividend Policy

We have not previously paid dividends on our ordinary shares and do not anticipate paying 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, 2017, 2018 and 2019.

B. Significant Changes

Please see Note 32 to our consolidated financial statements included elsewhere in this Annual Report for details regarding events subsequent to the reporting period.

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.

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 is set forth in Exhibit 2.4 to this Annual Report 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 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 in the Cayman Islands and interest, dividends and gains payable to us will be received free of all Cayman Islands taxes. We have received an undertaking 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 on 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 United Kingdom, and in the case of individuals, domiciled in (and only in) the United Kingdom (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 United Kingdom 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 United Kingdom. As a result, we are expected to be treated as resident in the United Kingdom 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 United Kingdom 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 United Kingdom 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 United Kingdom through a branch or agency to which the Class A ordinary shares are attributable. There are certain exceptions for trading in the United Kingdom 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 who are resident for tax purposes in the United Kingdom 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 United Kingdom will not generally be subject to UK corporation tax on dividends unless they are carrying on a trade, profession or vocation in the United Kingdom 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 United Kingdom 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 United Kingdom 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 United Kingdom 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 United Kingdom through a branch or agency or, in the case of a corporate holder, through a permanent establishment, or (ii) where certain other conditions are met, 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 United Kingdom 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 United Kingdom 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 United Kingdom 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 United Kingdom or that relates to any property situated, or to any matter or thing done or to be done, in the United Kingdom. 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 United Kingdom 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 United Kingdom.

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 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 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, 2019 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 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 passthru 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 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.

References made in this Annual Report to any contract or certain other document are not necessarily complete and you should refer to the exhibits attached or incorporated by reference into this Annual Report for copies of the actual contract or 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, including foreign exchange and liquidity risks. We have policies in place for managing these risks, which our finance department implements and periodically review. Please refer to Note 30 to our consolidated financial statements for the years ended December 31, 2019 and 2018 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.

The fluctuation in foreign currency exchange rates expose the Group to foreign exchange translation risk on consolidation. This risk is currently not hedged 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 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, mainly the pound sterling and the euro. Movements in exchange rates therefore impact our subsidiaries and thus, our consolidated results and cash flows.

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.

We believe that our cash and cash equivalents balance as at December 31, 2019, combined with the additional \$250 million received from our Notes are sufficient to meet our operating financing needs in the next 12 months and will support debt repayments and our currently planned capital expenditure requirements over the near term and medium term.

To expand our business, we have made acquisitions of businesses, products, and technologies. Depending on our future cash position and future market conditions, we might issue additional debt instruments to fund acquisitions, maintain financial flexibility, and limit repayment risk. Therefore, we continuously monitor funding options available in the capital markets and trends in the availability of funds, as well as the cost of such funding. For more information about the Notes, see the Cash Flows and Liquidity sections.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

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

None.

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). As of the date of the filing of this Annual Report, we have used all of the net proceeds from the IPO.

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 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, 2019. 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, 2019.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Our management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in "Internal Control - Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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.

As disclosed in our 2018 Annual Report, we identified certain control deficiencies in the design and operation of our internal control over financial reporting resulting from: (1) our technology access and change control environment not supporting an efficient or effective internal control framework; and (2) reliance on manual processes; both of which we considered constituted material weaknesses. Whilst significant remediation work has been undertaken, these material weaknesses have not been fully remediated, and we have concluded that material weaknesses existed as of December 31, 2019 related to (1) the design and operation of effective controls over information technology systems, including restricting access over those systems, designing appropriate automated controls, managing system changes and the identification and testing of system generated reports used in the execution of key manual controls; and (2) the design and operation of effective controls over the ability of individuals to prepare and post journal entries without independent review. Our remediation efforts for these material weaknesses have included and continue to include: establishing more robust processes supporting internal control over financial reporting; implementing formal access and change management 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. While we have initiated a revised access and change control environment, further work is needed to demonstrate the operational effectiveness of these controls on an ongoing basis. Additionally, whilst we have taken steps during 2019 to automate previously manual processes, for example, by introducing automated procurement and consolidation systems, a key element of automating our journal workflow process was not completed by December 31, 2019.

Furthermore, during the year ended December 31, 2019, we identified a further material weakness as a result of us having insufficient personnel with an appropriate level of accounting knowledge, experience and training in order to review, challenge and conclude on the interpretation of complex accounting matters and on the proposed treatment of significant and unusual transactions. Since first identifying this material weakness, we have made significant changes in this area, including formalizing a process for identifying complex accounting matters and determining the necessary steps to ensure the appropriate accounting treatment, for example, engaging the assistance of third-party specialists with expertise in these more complex areas and the preparation of technical accounting memos which are then approved at the appropriate level of management. In addition, we have significantly strengthened the technical resources within our finance team to enable stronger review and approval of all elements of complex matters. Given that these improvements require additional time to assess their effectiveness, this remained a material weakness as of December 31, 2019.

Management excluded from this assessment Stadium Goods and New Guards as permitted by the SEC rules and regulations, as both were acquired during 2019. As of and for the fiscal year ended December 31, 2019, Stadium Goods represented approximately 1% of our consolidated assets and 3% of our consolidated revenue, and New Guards represented approximately 10% of our consolidated assets and 18% of our consolidated revenue.

Based upon the above evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as a result of the material weaknesses described above, our internal control over financial reporting was not effective as of December 31, 2019.

Attestation Report of Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this Annual Report, has audited the internal control over financial reporting as of December 31, 2019, as stated in its report on page F-2.

Changes in Internal Control over Financial Reporting

In addition to the remediation efforts described above taken to address the material weaknesses, during 2019, Farfetch implemented SAP BPC as the Group's consolidation system. The development was subject to an implementation review process over the accuracy of the transitioned financial information. In addition, this implementation resulted in the automation of a number of previously manual consolidation processes and, we believe, has helped improve the control framework over financial reporting and the integrity of our financial statements. Other than this item, there were no other changes in our internal control over financial reporting that occurred during the period covered by this Annual Report that have materially affected, or reasonably likely to materially affect, our internal control over financial reporting.

Item 16. Reserved

Item 16A. Audit Committee Financial Expert

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

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 registered public accounting firm for the fiscal years ended December 31, 2019, 2018 and 2017. The table below sets out the total amount billed to us by PwC, for services performed in the years ended December 31, 2019, 2018 and 2017, and breaks down these amounts by category of service:

	2018	2019
	(in thousands)	
Audit Fees	\$ 1,028	\$ 2,245
Audit Related Fees	886	520
Tax Fees	6	24
All Other Fees	232	75
Total	\$ 2,152	\$ 2,864

Audit Fees

Audit fees for the years ended December 31, 2019 and 2018 were related to the audit of our consolidated and subsidiary consolidated 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 year ended December 31, 2019 were related to services in connection to financing activities. Audit related fees for the year ended December 31, 2018 were related to services in connection with our IPO transaction.

Tax Fees

Tax fees for the years ended December 31, 2019 and 2018 were related to tax compliance and tax planning services.

All Other Fees

All other fees in the years ended December 31, 2019 and 2018 were 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.

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

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. 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. 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. 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. 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, including without limitation 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.

PART III

Item 17. Financial statements

We have provided consolidated 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.

Item 19. Exhibits

List all exhibits filed as part of the registration statement or annual report, including exhibits incorporated by reference.

Exhibit No.	Description	Form	File No.	Incorporation by Reference			Filed/Furnished
				Exhibit No.	Filing Date		
1.1	Amended and Restated Memorandum and Articles of Association of the Registrant as currently in effect.						*
2.1	Registration Rights Agreement, dated as of July 21, 2017 by and among Farfetch.com Limited and certain shareholders of Farfetch.com Limited.	F-1	333-226929	4.1	8/20/2018		
2.2	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.	F-1	333-226929	4.2	8/20/2018		
2.3	Form of Class A Ordinary Share Certificate.	F-1	333-226929	4.3	8/20/2018		
2.4	Description of Securities.						*
2.5	Indenture, dated as of February 5, 2020, by Farfetch Limited and Wilmington Trust, National Association.						*
4.1†	Form of Indemnification Agreement.	F-1	333-226929	10.1	8/20/2018		
4.2†	Amended and Restated Rules of the Farfetch.com Limited Enterprise Management Incentive Scheme, adopted July 17, 2013.	F-1	333-226929	10.2	8/20/2018		
4.3†	Rules of the Farfetch.com Limited Share Option Scheme, adopted July 18, 2013.	F-1	333-226929	10.3	8/20/2018		
4.4†	Farfetch.com Limited 2015 Long-Term Incentive Plan, adopted February 13, 2015.	F-1	333-226929	10.4	8/20/2018		
4.5	Asset Purchase Agreement, dated as of June 12, 2017, among Farfetch.com Limited, Farfetch UK Limited, Advance Magazine Publishers Inc. and CN Commerce Ltd.	F-1	333-226929	10.5	8/20/2018		
4.6	Collaboration Agreement, dated as of June 13, 2017, between Farfetch.com Limited, Farfetch UK Limited and Advance Magazine Publishers Inc.	F-1	333-226929	10.6	8/20/2018		
4.7	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.	F-1	333-226929	10.7	8/20/2018		
4.8	Share Purchase Agreement, dated as of October 31, 2017, between Farfetch UK Limited, ASAP54.com Limited and Daniela Cecilio.	F-1	333-226929	10.8	8/20/2018		
4.9	Payment Processing Agreement, dated as of April 18, 2018, between Chinabank Payment Technology Co. Ltd. and Farfetch UK Limited.	F-1	333-226929	10.10	8/20/2018		

Exhibit No.	Description	Form	Incorporation by Reference				Filed/Furnished
			File No.	Exhibit No.	Filing Date		
4.10	Amended and Restated Forward Purchase Agreement, dated as of August 8, 2018, between Farfetch.com Limited and Kadi Group Holding Limited.	F-1	333-226929	10.11	8/20/2018		
4.11†	Consultancy Agreement, dated August 15, 2018, between Farfetch UK Limited and Natalie Massenet.	F-1	333-226929	10.12	8/20/2018		
4.12†	Form of 2018 Farfetch Employee Equity Plan.	S-8	333-227536	4.6	9/26/2018		
4.13	Acquisition Agreement, dated as of December 12, 2018 between Stadium Goods and Farfetch Limited.	20-F	001-38655	4.14	3/1/2019		
4.14	Amended and Restated Commitment Agreement, dated as of February 27, 2019 between Kadi Group Holding Limited and José Neves.	20-F	001-38655	4.15	3/1/2019		
4.15	Sale and Purchase Agreement relating to the Acquisition of New Guards Group Holding s.p.a. dated as of August 2, 2019, between multiple sellers, Farfetch Italia S.r.l. and Farfetch Limited.					*	
4.16	Purchase and Sale Agreement, dated as of April 8, 2019 between Medida Gabarito, LDA. and Farfetch Portugal – Unipessoal LDA.					*	
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.SCH	XBRL Taxonomy Extension Schema Document.					*	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					*	
101.DEF	XBRL Taxonomy Definition Linkbase Document.					*	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					*	

Exhibit No.	Description	Form	File No.	Incorporation by Reference		
				Exhibit No.	Filing Date	Filed/Furnished
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					*

* Filed herewith.

** Furnished herewith.

† 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.

SIGNATURES

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

Date: March 11, 2020

By:

/s/ José Neves

José Neves
Chief Executive Officer

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Farfetch Limited

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Farfetch Limited and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, 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, 2019, including the related notes (collectively referred to as the “consolidated financial statements”) We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO because material weaknesses in internal control over financial reporting existed as of that date related to (1) the design and operation of effective controls over information technology systems, including restricting access to those systems, designing appropriate automated controls, managing system changes and the identification and testing of system generated reports used in the execution of key manual controls; (2) the design and operation of effective controls over the ability of individuals to prepare and post journal entries without independent review; and (3) insufficient personnel with an appropriate level of accounting knowledge, experience and training in order to review, challenge and conclude on the interpretation of complex accounting matters and on the proposed treatment of significant and unusual transactions.

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 annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses referred to above are described in Management’s Report on Internal Control over Financial Reporting appearing under Item 15. We considered these material weaknesses in determining the nature, timing, and extent of audit tests applied in our audit of the 2019 consolidated financial statements, and our opinion regarding the effectiveness of the Company’s internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in management’s report referred to above. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting 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 in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of

material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Stadium Goods and New Guards Group from its assessment of internal control over financial reporting as of December 31, 2019 because they were acquired by the Company in purchase business combinations during 2019. We have also excluded Stadium Goods and New Guards Group from our audit of internal control over financial reporting. Stadium Goods is a wholly-owned subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 1% and 3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2019. New Guards Group is a wholly-owned subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 10% and 18%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2019.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements; and (ii) involved especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impact of Internal Control over Financial Reporting

The completeness and accuracy of the consolidated financial statements, including the statements of financial position, operations, comprehensive loss, changes in equity and cash flows, is in part dependent on (1) the design and operation of effective controls over information technology systems; and (2) the design and operation of effective controls over the ability of individuals to prepare and post journal entries.

The principal considerations for our determination that the impact of internal control over financial reporting is a critical audit matter are there was a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to information systems and business processes, which affect the preparation of the consolidated financial statements, and substantially all financial statement account balances and disclosures. As described above in the “Opinions on the Financial Statements and Internal Control over Financial Reporting” section, material weaknesses were identified as of December 31, 2019 related to (1) the design and operation of effective controls over information technology systems, including restricting access to those systems, designing appropriate automated controls, managing system changes and the identification and testing of system generated reports used in the execution of key manual controls; and (2) the design and operation of effective controls over the ability of individuals to prepare and post journal entries without independent review.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, manually testing the completeness and accuracy of system generated reports used in the execution of key manual controls and evaluating the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements, and as a result increasing the substantive work performed.

Goodwill Impairment Assessments, Specifically the Value in Use of Cash Generating Units or Groups of Cash Generating Units

As described in Notes 2, 3 and 15 to the consolidated financial statements, the Company’s goodwill balance was \$341.1 million as of December 31, 2019. The goodwill has been allocated to cash generating units (CGUs) or groups of CGUs as follows: \$131.1 million to Marketplace, \$188.0 million to New Guards Group, \$19.0 million to Browns and \$3.0 million to Curiosity China. Management conducts a goodwill impairment test as of December 31 of each year, or more frequently if circumstances indicate that the carrying value of goodwill may be impaired. Goodwill impairment is determined 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, a goodwill impairment loss is recognized. The recoverable amounts of the CGUs are determined from value in use calculations based on discounted cash-flow models. Management’s estimate of the value in use included significant judgements and assumptions relating to (i) expected future revenue growth rates, including the terminal growth rate; (ii) anticipated operating margins; and (iii) the discount rates to be applied to the estimated future cash flows.

The principal considerations for our determination that the goodwill impairment assessment, specifically the value in use of each CGU or groups of CGUs is a critical audit matter are there was significant judgement by management when developing the estimate of the value in use of the CGUs and groups of CGUs, including the related assumptions. This in turn resulted in a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate management’s cash flow projections and other significant assumptions, including the expected future revenue growth rates, including the terminal growth rate, anticipated operating margins and the discount rates applied to future cash flows.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s goodwill impairment assessment, including controls over the discounted cash flow models and assumptions therein. These procedures also included, among others, testing management’s process for developing the value in use calculations; evaluating the appropriateness of the discounted cash flow models; testing the completeness, accuracy, and relevance of underlying data used in the models; and evaluating the significant assumptions used by management, including the expected future revenue growth rates, including the terminal growth rate; anticipated operating margins and the discount rates applied to future cash flows. Evaluating management’s assumptions related to expected future revenue growth rates, including the terminal growth rate and

anticipated operating margins involved considering (i) current and past performance of the CGUs, (ii) consistency of expectations with external market and industry data, (iii) management's historical forecasting accuracy and (iv) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in performing procedures relating to the terminal growth rate and discount rates applied to future cash flows.

Valuation of Acquired Intangible Assets

As described in Notes 3 and 5 to the consolidated financial statements, the Company completed the acquisitions of Stadium Goods and New Guards Group in 2019 for net consideration of \$178.8 million and \$704.1 million, respectively; resulting in \$117.3 million and \$830.2 million, respectively of intangible assets being recorded. Management applied significant judgment in estimating the fair value of intangible assets acquired using a discounted cash flow method of the income approach, which involved the use of significant estimates and assumptions with respect to (i) expected future revenue growth rates; (ii) anticipated operating margins; (iii) the useful lives of the acquired brand names; and (iv) the discount rates to be applied to the estimated future cash flows. Management used specialists to develop these estimates.

The principal considerations for our determination that the valuation of the acquired intangible assets is a critical audit matter are there was significant judgement and estimation by management in determining the key assumptions used in the fair value estimates. This in turn resulted in a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate management's future cash flow projections and significant assumptions, including expected future revenue growth rates, anticipated operating margins, the useful lives of the acquired brand names and the discount rates to be applied to the expected future cash flows. As described in the "Opinions on the Financial Statements and Internal Control over Financial Reporting" section, a material weakness was identified related to sufficiency of personnel with an appropriate level of accounting knowledge, experience and training in order to review, challenge and conclude on the interpretation of complex accounting matters and on the proposed treatment of significant and unusual transactions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, (i) evaluating the purchase agreements; (ii) assessing management's process for estimating the fair value of acquired intangible assets, including evaluating the appropriateness of the valuation methods used by management's specialists; (iii) evaluating the reasonableness of significant assumptions developed by management's specialists, including expected future revenue growth rates, anticipated operating margins, the useful lives of acquired brand names and discount rates to be applied to the estimated future cash flows, and (iv) evaluating the scope, competency and objectivity of management's specialists based on the work they were engaged to perform. Evaluating the reasonableness of the expected future revenue growth rates and the anticipated operating margins involved considering the past performance of the acquired businesses, including historical forecasting accuracy, and consistency of expectations with economic and industry data, and supplementing this work by conducting sensitivity analyses. Professionals with specialized skill and knowledge were used to assist in performing procedures relating to assessing the reasonableness of the discount rates applied to the forecasted cash flows and appropriateness of the useful lives assigned to the acquired brand names.

Capitalized Development Costs

As described in Notes 2, 3 and 15 to the consolidated financial statements, the Company capitalizes costs relating to the development of internal software and the Farfetch websites. Management applied significant judgment in assessing whether the assets met the required criteria for initial capitalization, including the assessment of expected future benefits from the projects to be capitalized, technical feasibility and commercial viability. The value of development costs capitalized during the year ended December 31, 2019 was \$78.4 million.

The principal considerations for our determination that capitalized development costs is a critical audit matter are there was significant judgement by management in assessing whether the assets met the required criteria for initial capitalization, including assessment of expected future benefits from the projects to be capitalized, technical feasibility and commercial viability. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate management's judgement in assessing the capitalization criteria.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, (i) assessing whether the capitalization criteria, including expected future benefits and feasibility of projects, have been met through review of project budgets and roadmaps, consideration of historic unsuccessful projects, corroborating information with the IT project leads and employees working on the projects, and interviewing project supervisors and development personnel on the nature of each project and the time spent on projects by development team members; and (ii) testing directly attributable costs to bring the asset to the condition necessary for it to be capable of operating in the manner intended by management.

/s/PricewaterhouseCoopers LLP
London, United Kingdom
March 11, 2020

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

Consolidated statements of operations

for the year ended December 31,

(in \$ thousands, except share and per share data)

	Note	2017	2018	2019
Revenue	4	385,966	602,384	1,021,037
Cost of revenue		(181,200)	(303,934)	(561,191)
Gross profit		204,766	298,450	459,846
Selling, general and administrative expenses	8	(295,960)	(471,766)	(869,609)
(Losses)/ gains on items held at fair value	5,30	(3,300)	-	21,721
Share of profits of associates		31	33	366
Operating loss		(94,463)	(173,283)	(387,676)
Finance income	9	2,833	38,182	34,382
Finance costs	9	(20,475)	(18,316)	(19,232)
Loss before tax	10	(112,105)	(153,417)	(372,526)
Income tax expense	11	(170)	(2,158)	(1,162)
Loss after tax		(112,275)	(155,575)	(373,688)
(Loss)/Profit attributable to:				
Equity holders of the parent		(112,275)	(155,575)	(385,297)
Non-controlling interests	23	-	-	11,609
		<u>(112,275)</u>	<u>(155,575)</u>	<u>(373,688)</u>
Loss per share attributable to owners of the parent				
Basic and diluted	12	(0.50)	(0.59)	(1.21)
Weighted-average shares outstanding				
Basic and diluted	12	223,465,734	264,432,214	318,843,239

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

Consolidated statements of comprehensive loss

for the year ended December 31,

(in \$ thousands)

	<u>Note</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Loss for the year		(112,275)	(155,575)	(373,688)
Other comprehensive income/(loss)				
<i>Items that may be subsequently reclassified to the consolidated statement of operations (net of tax)</i>				
Exchange differences on translation of foreign operations		33,504	(24,142)	(7,333)
Gains/ (losses) on cash flow hedges		-	436	(3,384)
<i>Items that will not be subsequently reclassified to the consolidated statement of operations (net of tax)</i>				
Impairment loss on investments	18	-	-	(100)
Remeasurement loss on severance plan		-	-	(58)
Other comprehensive income/(loss) for the year, net of tax		<u>33,504</u>	<u>(23,706)</u>	<u>(10,875)</u>
Total comprehensive (loss)/income for the year, net of tax		<u>(78,771)</u>	<u>(179,281)</u>	<u>(384,563)</u>
Attributable to:				
Equity holders of the parent		(78,771)	(179,281)	(396,172)
Non-controlling interests	23	-	-	11,609
		<u>(78,771)</u>	<u>(179,281)</u>	<u>(384,563)</u>

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

Consolidated statements of financial position

(in \$ thousands)

	Note	December 31, 2018	December 31, 2019
Non-current assets			
Trade and other receivables	14	10,458	12,388
Deferred tax assets	27	-	5,324
Intangible assets, net	15	103,345	1,362,967
Property, plant and equipment, net	16	37,528	67,999
Right-of-use assets	17	-	115,176
Investments	18	566	16,229
Investments in associates	18	86	2,466
Total non-current assets		151,983	1,582,549
Current assets			
Inventories	13	60,954	128,107
Trade and other receivables	14	93,670	194,794
Cash and cash equivalents	19	1,044,786	322,429
Total current assets		1,199,410	645,330
Total assets		1,351,393	2,227,879
Equity and liabilities			
Equity			
Share capital	20	11,994	13,584
Share premium	20	772,300	878,007
Merger reserve	20	783,529	783,529
Foreign exchange reserve		(23,509)	(30,842)
Other reserves	21	67,474	349,463
Accumulated losses		(483,357)	(826,135)
Equity attributable to owners of the parent		1,128,431	1,167,606
Non-controlling interests	23	-	170,226
Total equity		1,128,431	1,337,832
Non-current liabilities			
Provisions	26	13,462	23,704
Lease liabilities	17	-	100,833
Deferred tax liabilities	27	-	219,789
Other liabilities	31	15,342	16,455
Put and call option liabilities	30	-	61,268
Total non-current liabilities		28,804	422,049
Current liabilities			
Trade and other payables	24	194,158	447,586
Lease liabilities	17	-	18,485
Put and call option liabilities	30	-	1,118
Other current financial liabilities		-	809
Total current liabilities		194,158	467,998
Total liabilities		222,962	890,047
Total equity and liabilities		1,351,393	2,227,879

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

Consolidated statements of changes in equity (in \$ thousands)

	Note	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Other reserves	Accumulated losses	Equity attributable to the parent	Non-controlling interest	Total equity
Balance at December 31, 2016		7,844	340,988	-	(32,871)	19,857	(216,901)	118,917	(1)	118,916
Changes in equity										
Issue of share capital, net of transaction costs		1,454	336,686	-	-	2,161	-	340,301	-	340,301
Loss for the year		-	-	-	-	-	(112,275)	(112,275)	-	(112,275)
Other comprehensive income		-	-	-	33,504	-	-	33,504	-	33,504
Share based payment – equity settled		-	-	-	-	16,457	-	16,457	-	16,457
Transactions with non-controlling interests		-	-	-	-	-	(1)	(1)	1	-
Balance at December 31, 2017		9,298	677,674	-	633	38,475	(329,177)	396,903	-	396,903
Changes in equity										
Loss for the year		-	-	-	-	-	(155,575)	(155,575)	-	(155,575)
Other comprehensive (loss)/ income		-	-	-	(24,142)	436	-	(23,706)	-	(23,706)
Capital reorganization		652	(677,674)	783,529	-	-	-	106,507	-	106,507
Issue of share capital, net of transaction costs	20	2,044	772,300	-	-	-	-	774,344	-	774,344
Share based payment – equity settled		-	-	-	-	28,563	1,395	29,958	-	29,958
Balance at December 31, 2018		11,994	772,300	783,529	(23,509)	67,474	(483,357)	1,128,431	-	1,128,431
Changes in equity										
Loss for the year		-	-	-	-	-	(385,297)	(385,297)	11,609	(373,688)
Other comprehensive (loss)		-	-	-	(7,333)	(3,542)	-	(10,875)	-	(10,875)
Issue of share capital, net of transaction costs	20	1,590	105,707	-	-	393,105	-	500,402	-	500,402
Share based payment – equity settled		-	-	-	-	76,383	46,841	123,224	-	123,224
Share based payment- reverse vesting shares		-	-	-	-	(82,646)	-	(82,646)	-	(82,646)
Transaction with non-controlling interests		-	-	-	-	(101,311)	-	(101,311)	-	(101,311)
Non-controlling interest arising from a business combination		-	-	-	-	-	-	-	158,617	158,617
Non-controlling interest call option		-	-	-	-	-	(4,322)	(4,322)	-	(4,322)
Balance at December 31, 2019		13,584	878,007	783,529	(30,842)	349,463	(826,135)	1,167,606	170,226	1,337,832

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)

	Note	2017	2018	2019
Cash flows from operating activities				
Loss before tax		(112,105)	(153,417)	(372,526)
Adjustments for:				
Depreciation	16,17	3,648	7,338	28,536
Amortization	15	7,332	16,199	85,055
Non-cash employee benefits expense		16,578	53,819	138,195
Net loss/(gain) on sale of non-current assets		42	1,028	(144)
Share of profits of associates		(35)	(33)	(366)
Net finance income		(1,261)	(19,866)	(15,150)
Net exchange differences		12,196	7,621	(842)
Impairment of investments		-	-	5,000
Change in the fair value of derivatives		44	(506)	(117)
Change in the fair value of put and call option liabilities	8	-	-	(43,247)
Change in the fair value of acquisition related consideration	8	-	-	21,526
Changes in working capital				
Increase in receivables		(598)	(72,151)	(51,273)
Increase in inventories		(35,163)	(10,345)	(29,723)
Increase in payables		47,406	57,432	113,721
Changes in other assets and liabilities				
(Increase)/decrease in non-current receivables		(3,826)	(1,265)	3,723
Increase in other liabilities		7,365	-	11,575
Decrease in provisions		-	(701)	(4,252)
Other items		(591)	(536)	(5)
Income taxes paid		(352)	(822)	(16,328)
Net cash outflow from operating activities		(59,320)	(116,205)	(126,642)
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	5	195	-	(461,691)
Payments for property, plant and equipment		(12,616)	(21,137)	(39,512)
Proceeds on disposal of property, plant and equipment		-	-	272
Payments for intangible assets		(18,997)	(50,978)	(72,985)
Interest received		2,833	8,865	11,259
Payments for investments		(278)	(288)	(20,846)
Net cash outflow from investing activities		(28,863)	(63,538)	(583,503)
Cash flows from financing activities				
Proceeds from issue of shares, net of issue costs		322,097	859,526	8,654
Repayment of loan notes		(21,955)	-	-
Repayment of the principal elements of lease payments		-	-	(19,127)
Interest and fees paid on loans		-	-	(4,776)
Net cash inflow/(outflow) from financing activities		300,142	859,526	(15,249)
Net increase/(decrease) in cash and cash equivalents		211,959	679,783	(725,394)
Cash and cash equivalents at the beginning of the year		150,032	384,002	1,044,786
Effects of exchange rate changes on cash and cash equivalents		22,011	(18,999)	3,037
Cash and cash equivalents at end of year		384,002	1,044,786	322,429

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

Notes to the 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) as well as the Farfetch app 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, development and retail distribution for retailers and brands to enable them to offer their products to the public; and
- operating the Company-owned (Browns, New Guards, Stadium Goods) and the branded stores (Off-White).

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 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, 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 denominated ordinary shares and the preference shares held by the shareholders of Farfetch Limited were converted into U.S. 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.

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 Directors have made an assessment of the Group’s ability to continue in operational existence for the foreseeable future and are satisfied that it is appropriate to continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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 (“U.S. 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.

In January 2019, the functional currency of Farfetch UK Limited, the Group’s primary trading entity, changed from pound sterling to U.S dollars. 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 currency movements. Farfetch UK Limited is exposed to movements in several key currencies including the U.S dollar, euro and pound sterling. Following review of Farfetch UK Limited’s expected receipts and expenses, the Group determined that U.S dollars had become the dominant currency from January 2019. As a result this has triggered a change in functional currency.

Effective January 1, 2019, we adopted the requirements of IFRS 16, Leases, (“IFRS 16”) as discussed below. The consolidated financial statements provide comparative information in respect of the previous periods.

2.2. Basis of consolidation

The consolidated financial statements comprise the consolidated 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 control ceases. 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 consolidated 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.

Notes to the consolidated financial statements (continued)

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 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 2.3m) 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 consolidated 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.

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 consolidated 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 consolidated 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 consumer. 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 retailers, 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 consumer, 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 consolidated 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.

Notes to the consolidated financial statements (continued)

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 U.S. dollars. For each entity the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The functional currency of the Company is U.S. 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 U.S. 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:

Leasehold improvements	Shorter of the life of the lease or useful life
Fixtures and fittings	Three to ten years
Motor vehicles	Four to eight years
Plant, machinery and equipment	Three to ten years
Leased plant and equipment	Three to eight years

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.

Notes to the consolidated financial statements (continued)

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.

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 2.3m) 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 sixteen 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.

l) 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 amortized 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.

Notes to the consolidated financial statements (continued)

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 cash-flow 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 the statement of operations or inventory on the balance sheet when the related hedged item is recognized in the statement of operations or inventory on the balance sheet.

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, CGU's or group of 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 to ten years, according to the nature and maturity of each CGU. 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.

Notes to the consolidated financial statements (continued)

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.

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.

p) 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.

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 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, 2019, the Group has applied the below amendments to IFRS's issued by the IASB that are mandatorily effective for an accounting period that began on or after January 1, 2019.

IFRS 16 Leases

The Group has adopted IFRS 16 in accordance with the modified retrospective transitional approach in the current year. The application of the standard has resulted in almost all leases being recognized on the balance sheet as the distinction between operating and finance leases has been removed. Under the new standard, a right of use asset and a financial liability to pay lease rentals are recognized. The only exceptions are short-term and low-value leases in accordance with the practical expedient allowed under the standard. For more information, see Note 17.

New and revised IFRSs in issue but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 3 Business Combinations (effective January 1, 2020)

'Definition of a Business (Amendments to IFRS 3)' clarifies the definition and application guidance for when an entity assesses whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first reporting period beginning on or after January 1, 2020.

3. Critical accounting judgments and key sources of estimation uncertainty

Certain accounting policies are considered to be critical to the Group. An accounting policy is considered to be critical if, in the Directors' judgement, its selection or application materially affects the Group's financial position or results. The application of the Group's accounting policies also requires the use of estimates and assumptions that affect the Group's financial position or results.

Below is a summary of areas in which estimation is applied primarily in the context of applying critical accounting judgements.

Critical judgements in applying group accounting policies

Intangible assets – development costs capitalization

Assessing whether assets meet the required criteria for initial capitalization requires judgement. This requires an assessment of the expected future benefits from the projects to be capitalized, technical feasibility and commercial viability. In particular, internally generated intangible assets must be assessed during the development phase to identify whether the Group has the ability and intention to complete the development successfully.

Determining the costs of assets to be capitalized also requires judgement. Specifically, judgement and estimation is required in determining the directly attributable costs to be allocated to the asset to enable the asset to be capable of operating in the manner intended by management.

Recognition of a deferred tax asset

The Group has accumulated significant unutilized trading tax losses (Note 27). 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. The Group reviews this assessment on an annual basis

Farfetch UK Limited functional currency change – date of change

As disclosed on Note 2.1, in January 2019 the functional currency of Farfetch UK Limited, the Group's primary trading entity, changed from pound sterling to U.S. dollar. While the trigger for the change was based on a factual assessment as described in the aforementioned Note 2.1, the determination of the date of change required judgement given the gradual change in the primary economic and business environment in which Farfetch UK Limited operates. This was driven by the growth of consumers where the Group receives U.S. dollars in settlement, as well as an increase in costs influenced by movements in the U.S. dollar, throughout 2018 and crystallizing in Q4 2018. Guidance requires a change in functional currency to be reported as of the date it is determined there has been a change and it is generally accepted practice that the change is made at start of the most recent period. Noting that in accordance with IAS 21:35, when there is a change in an entity's functional currency, the entity applies the translation procedures applicable to the new functional currency prospectively from the date of the change, management determined to enact this change effectively on January 1, 2019.

Key sources of estimation uncertainty

Business combinations

We use our best estimates and assumptions to accurately assign fair value to the intangible assets acquired at the acquisition date. The estimation is primarily due to the judgmental nature of the inputs to the valuation models used to measure the fair value of these intangible asset, as well as the sensitivity of the respective fair values to the underlying significant assumptions. We use a discounted cash flow method of the income approach to measure the fair value of these intangible assets and use specialists to develop certain estimates and assumptions. The significant estimates and assumptions used are in respect to (i) expected future revenue growth rates; (ii) anticipated operating margins; (iii) the useful lives of the acquired brand names; and (iv) the discount rates to be applied to the estimated future cash flows.

During the measurement period, which may be up to one year from the date of acquisition, the Group may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. The Group continues to collect information and reevaluates these estimates and assumptions as deemed reasonable by management. The Group records any adjustments to these estimates and assumptions against goodwill provided they arise within the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statement of operations.

We also use our best estimates and assumptions to accurately account for the value of put options over non-controlling interests, when applicable:

- i) a liability is recognized in the accounts when then non-controlling shareholders have a put option over NCI;
- ii) NCI is recognized at the time of acquisition when it is considered that the risk and rewards associated NCI rests with non-controlling shareholders and not recognized if it is considered that the risks and rewards rest with Farfetch.

For details of business combinations, please refer to Note 5.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset CGU or group of 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

Notes to the consolidated financial statements (continued)

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 and projections for the next five to ten years, according to the development and maturity of each CGU. The significant judgements and assumptions used in calculating the recoverable amount are (i) the expected future revenue growth rates, including the terminal growth rate (ii) the anticipated operating margin, and (iii) the discount rates applied to the future cash flows of the CGUs. These estimates are most relevant to goodwill and long-life intangibles recognized by the Group.

Intangible assets and property, plant and equipment – useful lives

The assessment of the useful economic lives and the method of amortizing these assets requires judgement. Depreciation and amortization are charged to the consolidated statement of operations based on the useful economic life selected, which requires an estimation of the period and profile over which the Group expects to consume the future economic benefits embodied in the asset. The Group reviews its useful economic lives at the reporting date.

4. Revenue

Revenue by type of good or service (in thousands)

	2017	2018	2019
Digital Platform Services Revenue	\$ 296,350	\$ 488,995	\$ 701,246
Digital Platform Fulfilment Revenue	74,182	97,794	127,960
Brand Platform Revenue	-	-	164,210
In-Store Revenue	15,434	15,595	27,621
Total Revenue	<u>\$ 385,966</u>	<u>\$ 602,384</u>	<u>\$ 1,021,037</u>

Digital Platform services

Digital Platform Services Revenue includes commissions on third-party sales and revenue from first-party sales.

Commission revenue is recognized on a net basis in the statement of operations because the Group acts as an agent in these arrangements. The Group primarily acts as a commercial intermediary between sellers and end consumers and earns a commission for this service. Revenue in relation to these obligations within Digital Platform Services Revenue which have not been satisfied at the end of the 2019 reporting period is \$691,000 (2018: 1,651,000, 2017: \$1,067,000). In 2019, \$1,651,000 (2018: \$1,067,000, 2017: \$330,000) of revenue deferred in 2018 (2017, 2016) was recognized as revenue.

In first-party sales arrangements, the Group sells its own goods on the platform where the Group is the principal, and therefore related revenues are recognised on a gross basis. Revenue on the sale of these goods is recognised when the goods are received by the end customer. 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, 2019, these deferred amounts were \$1,766,000 (2018: \$2,015,000, 2017: \$1,135,000), which the Group expects to recognize within 30 days of period end. In 2019, \$2,015,000 (2018: \$1,135,000, 2017: \$741,000) of revenue deferred in 2018 (2017, 2016) was recognized as revenue.

Digital 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 Digital Platform Fulfilment Revenue 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.

Notes to the consolidated financial statements (continued)

In arrangements where the Group acts as an agent, cash collections are remitted net to the sellers generally within two months of collection.

Digital Platform Fulfilment Revenue

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. Digital 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 Digital Platform Fulfilment Revenue, where the delivery performance obligation has not been satisfied at the end of the reporting period, revenue of \$851,000 (2018: \$479,000, 2017: \$436,000) 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 2019 \$479,000 (2018: \$436,000, 2017: \$407,000) of revenue deferred in 2018 (2017, 2016) was recognized as revenue. As at the end of the reporting period there were receivables from contracts with customers for the amount of \$nil. (2018 and 2017: none).

Digital Platform Fulfilment Revenue has previously been referred to as Platform Fulfilment Revenue.

Further detail can be found in Note 2.3 e) to the consolidated financial statements.

Brand Platform Revenue

Brand Platform Revenue includes revenue generated by New Guards operations less revenue from New Guards': (i) owned e-commerce websites, (ii) direct-to-consumer channel via Farfetch marketplaces and (iii) directly operated stores. Sales are made in the form of first-party sales arrangements to wholesalers, and therefore related revenues are recognized on a gross basis. Wholesale revenue is recognized when the goods are transferred to the wholesaler. For finished goods that have been ordered, but not yet delivered to the wholesaler at the end of the reporting period, revenue is deferred until delivery. At December 31, 2019, these deferred amounts were \$26,507,000 (2018: \$nil).

In-store

The Group has a single performance obligation in respect to In-Store Revenue, which is the sale of finished goods.

5. Business combinations

Acquisitions in 2017

Fashion Concierge UK Limited

On October 31, 2017, Farfetch UK Limited, a wholly owned subsidiary of Farfetch Limited, 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 was for the Group to enhance its private client offering.

Details of the purchase consideration, the net assets acquired and goodwill are as follows (in thousands):

	2017
Cash consideration	\$ -
Ordinary shares issued	2,183
Total purchase consideration	\$ 2,183

Notes to the consolidated financial statements (continued)

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 (in thousands)

	2017
Cash and cash equivalent balances acquired	\$ 195
Cash consideration	-
Net cash inflow	\$ 195

The ordinary shares issued are non-cash investing activities

The Group recognized the following assets and liabilities upon the Fashion Concierge UK Limited acquisition (in thousands):

	2017
Intangible assets	\$ 1
Tangible assets	4
Trade receivables	301
Cash and cash equivalents	195
Trade payables	(1,341)
Total net identified liabilities acquired	(840)
Goodwill	3,023
Total goodwill acquired	3,023
Net assets acquired	\$ 2,183

The goodwill is attributable to the Fashion Concierge UK Limited reputation and the expected synergies and efficiencies generated by the business combination. It will not be deductible for tax purposes.

Acquisition-related costs of \$123,000 are included in selling, general and administrative expenses. These costs were recorded in the year ending December 31, 2017.

Style.com

On June 12, 2017, Farfetch UK Limited, a wholly owned subsidiary of Farfetch Limited, 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 (in thousands):

	2017
Cash consideration	\$ -
Ordinary shares issued	12,411
Total purchase consideration	\$ 12,411

The fair value of the 258,265 shares issued as 100% of the consideration paid for Style.com (\$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.

Notes to the consolidated financial statements (continued)

The Group recognized the following assets and liabilities upon acquisition (in thousands):

	2017
Inventories	\$ 1,856
Total net identified assets acquired	1,856
Goodwill	7,050
Customer relationships	1,178
Trademarks and domain name	3,046
Deferred tax liability	(719)
Total goodwill and identifiable intangible assets acquired	10,555
Net assets acquired	\$ 12,411

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 of \$557,000 are included in selling, general and administrative expenses. These costs were recorded in the year ending December 31, 2017.

Revenue and profit contribution of acquisitions made in 2017

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.

Acquisitions in 2019

Stadium Goods

On January 4, 2019, Farfetch Limited completed the acquisition of 100% of the outstanding shares of Stadium Goods, the sneaker and streetwear marketplace for total consideration of \$230,900,000. The Group expects to benefit from Stadium Goods' brand, access to supply, and a team who have joined the Group, bringing with them a strong passion for, and knowledge of, luxury streetwear, further enhancing the company's marketplace and stores offering. The consideration payable by the Group was in the form of cash consideration 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 \$80,700,000 based on the Farfetch Limited share price as at the acquisition date.

The transaction is accounted for as a business combination under IFRS 3 and the purchase price allocation accounting has been finalized. Of the \$80,700,000 share consideration, \$52,100,000 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 \$178,800,000 consisting of \$150,200,000 cash consideration and \$28,600,000 share consideration, none of which is contingent on future performance or service conditions.

Notes to the consolidated financial statements (continued)

Details of the purchase consideration, the assets acquired and goodwill are as follows (in thousands):

	2019
Cash consideration	\$ 150,200
Ordinary shares issued	28,600
Total purchase consideration	\$ 178,800

	2019
Net cash outflow arising on acquisition	
Cash and cash equivalent balances acquired	\$ 1,678
Cash consideration	(150,200)
Net cash outflow	\$ (148,522)

The ordinary shares issued are non-cash investing activities.

The Group finalized its purchase price allocation in the first quarter 2019. The Group recognized the following assets and liabilities upon acquisition of Stadium Goods (in thousands):

	2019
Intangible assets	\$ 2,049
Brand name	117,300
Tangible assets	319
Right-of-use assets	2,802
Other non-current assets	243
Inventory	541
Net working capital (excluding inventory)	(3,642)
Non-current liabilities	(14,465)
Total net identified assets acquired	105,147
Goodwill	73,653
Net assets acquired	\$ 178,800

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 expected to be deductible for tax purposes. No deferred tax has been recognized however on the basis that management did not consider there to be sufficient evidence at the time of the acquisition that suitable taxable profits were expected to arise to support recognition.

As the transaction has been treated as an asset purchase for tax purposes, no deferred tax has been recognized in respect of the brand name as there is no difference between the tax base and carrying amount at acquisition as it is expected that the brand name will be deductible for tax purposes.

Acquisition-related costs of \$3,987,000 were recorded in 2019, and comprised \$2,493,000, which are included in selling, general and administrative expenses, and \$1,494,000, which are included in the merger relief reserve.

Toplife

On May 28, 2019, Farfetch (Shanghai) E-commerce Co., Ltd, a wholly owned subsidiary of Farfetch Limited, acquired 100% of the business of Toplife, a luxury e-commerce platform, from JD Group. The transaction is being treated as a business combination. The primary reason for the acquisition was for the Group to leverage the JD App Level 1 Access Button (Farfetch has replaced the Toplife JD Store with level 1 access being a prominent position on JD App's homepage) to further enhance the Group's marketplace business.

Notes to the consolidated financial statements (continued)

Details of the purchase consideration, the assets acquired, and goodwill are as follows (in thousands):

	2019
Cash consideration	\$ 48,503
Ordinary shares issued	-
Total purchase consideration	\$ 48,503

No cash or cash equivalents were acquired.

The Group has performed its preliminary purchase price allocation. Owing to the timing and terms of the transaction, the Group is still refining its valuation assessment, mainly on account of TopLife inventory sales and of shutdown costs to be borne by Farfetch, and is expecting these to be finalized in the first quarter of 2020. Details of the purchase price allocation is below (in thousands):

	2019
Tangible assets	\$ 17
Inventory	131
Current liabilities	(1,605)
Level 1 access button	9,058
Total net identified assets acquired	7,601
Goodwill	40,902
Net assets acquired	\$ 48,503

Goodwill consists of expected synergies to be achieved by combining the operations of Toplife 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. The level 1 access is amortized over four years.

Acquisition-related costs totaled \$686,000 and are included in selling, general and administrative expenses. These costs were recorded in the year ending December 31, 2019.

CuriosityChina

On April 3, 2019, Farfetch China (HK Holdings) Limited, a wholly owned subsidiary of the Farfetch Limited, completed the acquisition of 78% of the outstanding shares of CuriosityChina with total consideration of \$9,000,000. The Group expects to benefit from CuriosityChina's expertise in the China market including its customer base and technological capabilities. The consideration payable by the Group was in the form of cash. The Group has the obligation to acquire the remaining 22% of outstanding shares that it did not initially acquire. On acquisition, the present value of this obligation amounted to \$4,322,000 and was accounted for separately from the business combination as a liability. In connection to the purchase obligation, the Group recognized a \$1,606,000 fair value revaluation loss in the statement of operations for the year ended December 31, 2019. The carrying value related to the call option over the remaining non-controlling interest in CuriosityChina at December 31, 2019, is \$5,928,000.

The transaction has been accounted for as a business combination under IFRS 3.

Details of the total purchase consideration, the net assets acquired and goodwill are as follows (in thousands):

	2019
Cash consideration	\$ 9,000
Ordinary shares issued	-
Total purchase consideration	\$ 9,000

Notes to the consolidated financial statements (continued)

	2019
Net cash outflow arising on acquisition	
Cash and cash equivalent balances acquired	\$ 409
Cash consideration	(9,000)
Net cash outflow	\$ (8,591)

The Group finalized its purchase price allocation in the fourth quarter of 2019. The Group recognized the following assets and liabilities upon acquisition of CuriosityChina (in thousands):

	2019
Tangible assets	\$ 78
Current assets	1,879
Current liabilities	(1,005)
Customer relationships	3,878
Backlog	202
Technology	2,059
Deferred tax liability	(921)
Total net identified assets acquired	6,170
Goodwill	3,039
Total net identified assets acquired and goodwill	9,209
Non-controlling interest	(209)
Net assets acquired	\$ 9,000

Goodwill consists of expected synergies to be achieved by combining the operations of CuriosityChina 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. The Customer relationships, Backlog and Technology are amortized over ten, two and ten years respectively.

Acquisition-related costs totaled \$350,000 and are included in selling, general and administrative expenses. These costs were recorded in the year ending December 31, 2019.

New Guards

On August 2, 2019, Farfetch Italia, a wholly owned subsidiary of Farfetch Limited, signed a sale and purchase agreement for the acquisition of 100% of the outstanding shares of New Guards and took control of New Guards on the same date. The acquisition complements the Group's strategy to be the global technology platform for luxury fashion. The consideration payable by the Group was in the form of cash and Farfetch Limited shares. The total consideration payable was \$704,088,000, split as \$358,910,000 of cash, and 17,710,526 Class A Ordinary Shares with a value of \$345,178,000 based on the Farfetch Limited share price as at the acquisition date. With respect to the share consideration, 3,554,855 of the shares reflected an estimate at the acquisition date of the shares expected to be issued based on Farfetch Limited's volume adjusted average share price for the 10-day period ended September 18, 2019 and classified as a liability.

The transaction is accounted for as a business combination under IFRS 3 and the preliminary purchase price allocation accounting has been completed. The purchase price allocation is expected to be finalized in the first half of 2020, following customary adjustments.

Notes to the consolidated financial statements (continued)

Details of the total purchase consideration, the assets acquired, and goodwill are as follows (in thousands):

	2019
Cash consideration	\$ 358,910
Ordinary shares issued	275,894
Ordinary shares to be issued	69,284
Total purchase consideration	\$ 704,088
	2019
Net cash outflow arising on acquisition	
Cash and cash equivalent balances acquired	\$ 102,835
Cash consideration	(358,910)
Net cash outflow	\$ (256,075)

The ordinary shares issued are non-cash investing activities.

The ordinary shares to be issued reflected the Group's best estimate of the shares it expected to issue as at the acquisition date as noted above. These shares were issued on September 23, 2019 with a \$21,500,000 debit recognized in profit or loss on issue reflecting the fair value remeasurement of the shares on the date they were issued.

The Group recognized the following assets and liabilities upon acquisition of New Guards (in thousands):

	2019
Intangible assets	\$ 1,382
Brand name	830,150
Tangible assets	2,714
Right-of-use assets	10,727
Deferred tax assets	3,451
Other non-current assets	2,694
Inventory	36,757
Net working capital (excluding inventory)	32,027
Non-current liabilities	(13,698)
Deferred tax liabilities	(231,729)
Total net identified assets acquired	674,475
Goodwill	188,020
Total net identified assets acquired and goodwill	862,495
Non-controlling interest	(158,407)
Net assets acquired	\$ 704,088

Goodwill consists of expected synergies to be achieved by combining the operations of New Guards 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.

Acquisition-related costs totaled \$4,090,000 and comprised \$2,086,000, which are included in selling, general and administrative expenses, and \$2,004,000, which are included in the merger relief reserve. These costs were recorded in the year ending December 31, 2019.

Revenue and profit contribution of acquisitions made in 2019

The results of operations for each of the 2019 acquisitions have been included in the Group's consolidated statements of operations since the date of acquisition. Actual and pro forma revenue and results of operations for the

Notes to the consolidated financial statements (continued)

acquisitions of Stadium Goods, Curiosity China and Toplife 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. Actual revenue and results of operations for the acquisition of New Guards for the period since acquisition date were \$182,989,000 and \$23,142,000 respectively. Pro forma revenue and results of operations for the acquisition of New Guards as though the acquisition date had been the beginning of the year is impracticable because of the lack of financial information at the end of the reporting periods as the acquired entity's reporting periods were misaligned with Farfetch's reporting periods.

6. Segmental and geographical information***Segmental information***

The Group has identified three reportable operating segments. This assessment is based on information reported to the Group's Chief Operating Decision Maker, which is deemed to be the Chief Executive Officer, for the purpose of assessing segmental performance and resource allocation.

Following the acquisition of New Guards, in the fourth quarter of 2019, we realigned our operating segments to reflect the manner in which the business had become organized and how performance had become internally evaluated. Prior to this realignment, we had one reportable operating segment resulting from the aggregation of four operating segments: (1) Farfetch Marketplace, (2) Farfetch Black and White, (3) Farfetch Store of the Future and (4) Browns stores. As of December 31, 2019, we have three reportable operating segments (A) Digital Platform, (B) Brand Platform and (C) In-Store. Historical periods presented in this Annual Report reflect in these three reportable operating segments.

There are no intersegment transactions that require elimination. Order Contribution is used to assess the performance and allocate resources between the segments.

The results of our three reportable operating segments is as follows (in thousands):

	2017	2018	2019
Digital Platform			
Services Revenue	\$ 296,350	\$ 488,995	\$ 701,246
Fulfilment Revenue	74,182	97,794	127,960
Revenue	370,532	586,789	829,206
Less: Cost of revenue	(173,951)	(295,083)	(457,293)
Gross profit	196,581	291,706	371,913
Less: Demand generation expense	(69,202)	(97,295)	(151,350)
Order contribution	\$ 127,379	\$ 194,411	\$ 220,563
	2017	2018	2019
Brand Platform			
Revenue	n/a	n/a	164,210
Less: Cost of revenue	n/a	n/a	(89,203)
Gross profit or order contribution	\$ -	\$ -	\$ 75,007
	2017	2018	2019
In-Stores:			
Revenue	\$ 15,434	\$ 15,595	\$ 27,621
Less: Cost of revenue	(7,249)	(8,851)	(14,695)
Gross profit or order contribution	\$ 8,185	\$ 6,744	\$ 12,926

Notes to the consolidated financial statements (continued)

Geographical information

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 \$619,326,000 (2018: \$492,495,000, 2017: \$335,345,000).

The Group's revenue from external consumers, based on consumer billing location, and information about its segment assets by geographical location are detailed below (in thousands):

	2017	2018	2019
Revenue from external consumers			
Americas	\$ 111,349	\$ 175,060	\$ 277,712
Europe, Middle East and Africa	156,507	240,662	377,944
Asia Pacific	118,110	186,662	365,381
Total Revenue	\$ 385,966	\$ 602,384	\$ 1,021,037
		2018	2019
Non-current assets			
Americas	\$	6,089	\$ 506,130
United Kingdom		118,374	214,213
Europe, Middle East and Africa		21,500	796,974
Asia Pacific		6,020	65,232
Total Non-current assets		\$ 151,983	\$ 1,582,549

In 2018, the Group revised its methodology for determining the geographical location of revenue from being based on consumer shipping location to consumer billing location. In addition, the Group previously disclosed first-party sales based on the location of the seller. In 2018, the Group revised this to being based on the consumer billing location which is consistent with third-party based sales. Revenue by geographical location for the year ended December 31, 2017 was also revised to reflect this change in methodology.

No single consumer amounted for more than 10% of Group revenues (2018: none, 2017: none).

7. Employees and directors

Included within employees and directors expenses are (in thousands):

	2017	2018	2019
Wages and salaries	\$ 88,164	\$ 140,298	\$ 206,092
Social security costs	12,783	24,976	36,314
Other pension costs	898	1,391	2,569
Share based payments (equity settled)	16,667	34,668	150,333
Share based payments (cash settled)	3,807	10,355	10,675
Share based payments (employment related taxes)	1,012	8,796	(2,586)
Total employees and directors expenses	\$ 123,331	\$ 220,484	\$ 403,397

These amounts are included within the selling, general and administrative expenses line in the consolidated statement of operations.

Notes to the consolidated financial statements (continued)

8. Operating expenses

Included within selling, general and administrative expenses are (in thousands):

	2017	2018	2019
Demand generation expenses	\$ 69,202	\$ 97,295	\$ 151,350
Technology expenses	31,611	68,224	84,207
Depreciation and amortization	10,980	23,537	113,591
Share based payments	21,486	53,819	158,422
General and administrative	162,032	228,891	345,665
Other items	649	—	16,374
Total selling, general and administrative expenses	\$ 295,960	\$ 471,766	\$ 869,609

Demand generation expense consists primarily of fees that we pay our various media and affiliate partners. Other items in the current year is mostly comprised of transaction-related legal and advisory expenses.

Included within losses/(gains) on items held at fair value through profit and loss are (in thousands):

	2017	2018	2019
Change in fair value of put and call option liabilities	\$ 3,300	\$ -	\$ (43,247)
Change in fair value of acquisition related consideration	-	-	21,526
Losses/(gains) on items held at fair value through profit and loss	\$ 3,300	\$ -	\$ (21,721)

Change in fair value of put and call option liabilities in the current year relate to the revaluation of liabilities arising as a result of the acquisition of CuriosityChina (\$1,600,000 revaluation loss) and the partnership with Chalhoub (\$44,800,000 revaluation gain). Change in fair value of acquisition related consideration relates to the remeasurement charges for shares issued in the acquisition of New Guards.

9. Finance income and costs

Included within finance income and costs are (in thousands):

	2017	2018	2019
Unrealised exchange gains	\$ -	\$ 26,922	\$ 22,856
Interest on cash and cash equivalents and short-term deposits	2,833	11,260	11,526
Finance income	2,833	38,182	34,382
Unrealised exchange losses	(18,902)	(17,779)	(10,977)
Interest on borrowings	(1,572)	-	-
Lease interest	-	-	(3,472)
Other interest expense	(1)	(537)	(4,783)
Finance costs	(20,475)	(18,316)	(19,232)
Net finance (costs)/ income	\$ (17,642)	\$ 19,866	\$ 15,150

10. Material Loss or Profit

Notes to the consolidated financial statements (continued)

The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group (in thousands):

	Note	2017	2018	2019
Leases (2017 and 2018: operating leases)		\$ 18,162	\$ 19,244	\$ 9,449
Research and development costs expensed		5,102	12,455	66,024
Loss/(Gain) on disposal of non-current assets		42	1,028	(144)
Amortization—Intangible assets	15	7,332	16,199	85,055
Right of use assets depreciation	17	-	-	19,564
Transaction related legal and advisory expenses		680	-	15,374
Change in fair value of put and call option liabilities		3,300	-	(43,247)
Change in fair value of acquisition related consideration		-	-	21,526

Following the adoption of IFRS 16 by the Group from January 1, 2019, lease contracts are accounted for by recognized a right-of-use asset and a corresponding liability and are then charged to profit and loss via depreciation and finance cost, as described in Note 2. Therefore, the leases disclosed in the table above as an expense in profit or loss, arise from payments associated with short-term leases and leases of low-value assets, recognized in profit and loss on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less, while low-value assets comprise IT-equipment and small items of office furniture.

11. Taxation**a) Income tax expense (in thousands)**

	2017	2018	2019
Current tax:			
Corporate tax	\$ 805	\$ 2,208	\$ 15,676
Prior year adjustments	132	(50)	(1,652)
Total current tax	937	2,158	14,024
Total deferred tax	(767)	-	(12,862)
Income tax expense	<u>\$ 170</u>	<u>\$ 2,158</u>	<u>\$ 1,162</u>

Notes to the consolidated financial statements (continued)

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 (in thousands):

	2017	2018	2019
Loss before tax	\$ (112,105)	\$ (153,417)	\$ (372,526)
Tax at the UK tax rate of 19.00% (2018: 19.00%, 2017: 19.25%)	(21,580)	(29,149)	(70,780)
Tax effects of:			
Sundry temporary differences	(599)	-	-
Sundry permanent differences	1,965	4,355	1,895
Entertaining	27	37	29
Loss utilisation	(85)	(334)	(1,126)
Share based payment	1,518	3,195	8,123
R&D and Investment Tax Credit	-	-	(1,826)
Release of deferred tax liabilities on acquisition	-	-	(12,853)
Deferred tax on timing differences	-	-	(9)
Taxes paid overseas and rate difference	(144)	(599)	3,853
Foreign exchange rate differences	192	(6)	-
Prior year adjustments	132	(50)	(1,652)
<i>Unrecognized deferred tax asset arising from timing differences relating to:</i>			
Share based payment	2,204	(7,522)	13,305
Non-current assets	463	361	1,624
Accrued bonus and other expenses	-	-	(215)
Losses carried forward	16,077	31,870	60,794
Income tax expense	\$ 170	\$ 2,158	\$ 1,162

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 Group has used a tax rate of 19.00% for the 2019 financial year. The Finance Act 2016 has set the CT rate for the 2020 tax year as 17%. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore unrecognized deferred taxes at the balance sheet date continue to be tracked at the enacted tax rate of 17%. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020.

There is no income tax relating to the components presented within other comprehensive loss.

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

Notes to the consolidated financial statements (continued)

shares issuable upon the assumed vesting of unvested share awards. The calculation of loss per share is as follows (in thousands):

	2017	2018	2019
In \$ except share and per share data			
Basic and diluted			
Loss attributable to equity holders of the parent	\$ (112,275)	\$ (155,575)	\$ (385,297)
<i>Shares used in calculation</i>			
Weighted-average shares outstanding	223,465,734	264,432,214	318,843,239
Basic and diluted loss per share attributable to owners of the parent	<u>\$ (0.50)</u>	<u>\$ (0.59)</u>	<u>\$ (1.21)</u>

Potential dilutive securities that are not included in the diluted per share calculations because they would be anti-dilutive are as follows (in thousands):

	2017	2018	2019
Employee options	6,675	14,649	9,105
Warrants	3,303	125	-
Contingently issuable shares	994	-	-

13. Inventories

	2018	2019
Finished goods	\$ 60,954	\$ 128,107
Total inventories	<u>\$ 60,954</u>	<u>\$ 128,107</u>

The total cost of inventory recognized as an expense in the consolidated statement of operations was \$232,624,000 (2018: \$87,416,000). The total provision against inventory in order to write down the balance to the net recoverable value was \$13,282,000 (2018: \$4,182,000).

14. Trade and other receivables

Details of trade and other receivables consist of the following at December 31 (in thousands):

	2018	2019
Current		
Trade receivables	\$ 2,727	\$ 34,363
Other current receivables	45,558	120,450
Sales taxes	10,352	16,868
Prepayments and accrued income	34,342	18,216
Current tax assets	-	1,873
Derivative financial assets (Note 30)	691	3,024
Total current trade and other receivables	<u>93,670</u>	<u>194,794</u>
Non-current		
Other receivables	10,458	12,388
Total non-current trade and other receivables	<u>\$ 10,458</u>	<u>\$ 12,388</u>

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.

Non-current other receivables increased to \$12,388,000 in 2019 (December 31, 2018: \$10,458,000) due to the incorporation of the new acquisition New Guards and to the expansion of the Company's global office presence.

Notes to the consolidated financial statements (continued)

The balance is comprised mainly of deposits for office leases and services, and operations related deposits, which the Company is not expecting to recover within the next 12 months.

Other current receivables as at December 31, 2019 totaled \$120,450,000 (December 31, 2018: \$45,557,000) and comprised mainly of advances to boutique partners, first-party product suppliers and other suppliers, mainly on Farfetch UK for the Marketplace with \$42 million (December 31, 2018: \$37.4 million), Browns with \$41 million (December 31, 2018: \$3.6 million), Fashion Concierge with \$2.5 million (December 31, 2018: \$2.1 million) and New Guards \$5 million (December 31, 2018: nil), as well as deposits with the payment service providers with \$10 million (December 31, 2018: nil), and bank deposits as collateral that are not readily available within 90 days with \$12.5 million (December 31, 2018: nil).

Trade receivables increased to \$34,363,000 in 2019 (December 31, 2018: \$2,727,000) as a result of the trade operations of Browns, Stadium Goods and mainly New Guards.

15. Intangible assets

Intangible assets consist of the following at (in thousands):

	Goodwill	Brand, trademarks & domain names	Customer relationships	Development costs	Total
Cost					
At December 31, 2017	\$ 38,449	\$ 7,289	\$ 2,384	\$ 38,937	\$ 87,059
Additions	-	-	-	50,978	50,978
Transfers	-	-	-	166	166
Foreign exchange movements	(2,406)	(443)	(145)	(4,602)	(7,596)
At December 31, 2018	36,043	6,846	2,239	85,479	130,607
Additions	305,526	958,407	3,878	78,401	1,346,212
Transfers	-	-	-	-	-
Foreign exchange movements	(502)	64	(107)	53	(492)
At December 31, 2019	341,067	965,317	6,010	163,933	1,476,327
Accumulated amortization					
At December 31, 2017	-	(1,604)	(565)	(10,849)	(13,018)
Amortization for year	-	(459)	(1,057)	(14,683)	(16,199)
Transfers	-	-	-	-	-
Foreign exchange movements	-	123	96	1,736	1,955
At December 31, 2018	-	(1,940)	(1,526)	(23,796)	(27,262)
Amortization for year	-	(55,044)	(260)	(29,751)	(85,055)
Transfers	-	12	-	-	12
Foreign exchange movements	-	(42)	-	(1,013)	(1,055)
At December 31, 2019	-	(57,014)	(1,786)	(54,560)	(113,360)
Net book value					
At December 31, 2018	36,043	4,906	713	61,683	103,345
At December 31, 2019	\$ 341,067	\$ 908,303	\$ 4,224	\$ 109,373	\$ 1,362,967

Included within development costs is \$1,156,000 (2018: \$205,000) 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.

Notes to the consolidated financial statements (continued)

Additions to goodwill, brands, trademarks & domain names and customer relationships in 2019 arose due to the business combinations described in Note 5, and the incorporation of \$1.9 million of brands, trademark and domain names from the acquisition of New Guards.

Amortization for all intangible assets is 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 or group of CGUs. For details regarding additions to goodwill refer to Note 5. The goodwill amounts for each CGU or group of CGU consists of the following at December 31 (in thousands):

	2018	2019
CGU		
Marketplace	\$ 16,368	\$ 130,993
Browns – Platform	19,675	19,015
CuriosityChina	-	3,039
New Guards	-	188,020
Total Goodwill	\$ 36,043	\$ 341,067

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use include (i) expected future revenue growth rates, including the terminal growth rate; (ii) anticipated operating margins; and (iii) the discount rates to be applied to the estimated future cash flows. 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 to ten years, according to the nature and maturity of each CGU. The Group believes this period range is appropriate to capture the high growth rates seen in the markets in which our CGUs operate.

The key assumptions for the value in use calculations are the long term growth rate applied to year five or ten onwards and the pre-tax discount rates. The Group extrapolates the cash flows in the fifth or tenth year based on an estimated growth rate of 2% (2018: 2%). This rate does not exceed the average long-term growth rate for the relevant markets. The pre-tax discount rate used to discount the forecast cash flows ranges from 7.7% to 11.7% (2018: 9.7% to 11.8%). The pre-tax discount rate applied is derived from a market participant's estimated 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 indicators of impairment.

The recoverable amount of each CGU would equal its carrying amount if the key assumptions were to change as follows:

	Marketplace	Browns – Platform	CuriosityChina	New Guards
Budgeted revenue growth (change in pp)	(30)	(3)	(11)	(13)
Pre-tax discount rate (change in pp)	8	2	5	6
Long term growth rate (change in pp)	(8)	(3)	(7)	(10)

16. Property, plant and equipment

Property, plant and equipment consist of the following (in thousands):

	Freehold land and buildings	Leasehold improvements	Fixtures and fittings	Motor vehicles	Plant, machinery and equipment	Totals
Cost						
At December 31, 2017	\$ -	\$ 23,453	\$ 5,516	\$ 142	\$ 6,563	\$ 35,674
Additions	-	16,086	2,083	-	3,318	21,487
Disposals	-	(1,489)	(211)	(28)	(61)	(1,789)
Transfers	-	(1,156)	889	-	101	(166)
Foreign exchange movements	-	(1,830)	(501)	(5)	(525)	(2,861)
At December 31, 2018	-	35,064	7,776	109	9,396	52,345
Additions	17,948	10,633	3,424	117	9,809	41,931
Disposals	-	(322)	(35)	(30)	(22)	(409)
Transfers	-	(2,109)	1,824	-	(2,100)	(2,385)
Foreign exchange movements	(130)	(131)	(21)	(3)	(139)	(424)
At December 31, 2019	17,818	43,135	12,968	193	16,944	91,058
Accumulated depreciation						
At December 31, 2017	-	(4,008)	(1,862)	(112)	(2,996)	(8,978)
Depreciation for year	-	(4,091)	(1,196)	(14)	(2,037)	(7,338)
Disposals	-	562	136	28	35	761
Transfers	-	-	11	-	(11)	-
Foreign exchange movements	-	375	129	4	230	738
At December 31, 2018	-	(7,162)	(2,782)	(94)	(4,779)	(14,817)
Depreciation for year	-	(3,994)	(1,995)	(23)	(2,960)	(8,972)
Disposals	-	219	31	16	16	282
Transfers	-	579	-	-	-	579
Foreign exchange movements	-	(159)	86	1	(59)	(131)
At December 31, 2019	-	(10,517)	(4,660)	(100)	(7,782)	(23,059)
Net book value						
At December 31, 2018	-	27,902	4,994	15	4,617	37,528
At December 31, 2019	\$ 17,818	\$ 32,618	\$ 8,308	\$ 93	\$ 9,162	\$ 67,999

Included within leasehold improvements and computer equipment is \$774,000 (2018:\$6,312,000) 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 recorded in selling, general and administrative expenses.

17. Right-of-use assets and lease liabilities

This note explains the impact of the adoption of IFRS 16 Leases on the Group's consolidated financial statements and discloses the new accounting policies that have been applied from January 1, 2019.

The Group has adopted IFRS 16 retrospectively from January 1, 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

The Group's leasing activities and how these are accounted for:

Notes to the consolidated financial statements (continued)

The Group leases various offices, retail stores and cars. Lease contracts are typically made for fixed periods of 3 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until financial year 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the capital borrowed and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Where it can be determined lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the initial measurement of the lease liability; - any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 3.8% on average.

For leases previously classified as finance leases the Group recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. See below details (in thousands):

Notes to the consolidated financial statements (continued)

	2019
Operating lease commitments disclosed as at December 31, 2018	\$ 103,034
Discounted using the lessee's incremental borrowing rate of at the date of initial application	78,937
Less short-term leases recognized on a straight-line basis as expense	(1,552)
Less Lease committed to at December 31, 2018 but not commenced at January 1, 2019	(8,074)
Lease liability recognized as at January 1, 2019	69,311
Of which:	
Current lease liabilities	12,655
Non-current lease liabilities	56,656
Lease liability recognized as at January 1, 2019	\$ 69,311

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized on the balance sheet as at December 31, 2018. The Group have used the practical expedient in IFRS 16 that allows a lessee to determine whether a right-of-use asset is impaired through performing an IAS 37 onerous lease assessment. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets & liabilities relate to the following types as at the transition date and December 31, 2019 (in thousands):

	January 1, 2019	December 31, 2019
Properties	\$ 67,272	\$ 114,618
Vehicles	469	558
Total right-of-use assets	\$ 67,741	\$ 115,176
Properties	\$ 68,842	\$ 118,760
Vehicles	469	558
Total right-of-use liabilities	\$ 69,311	\$ 119,318

In the year ended December 31, 2019, a depreciation charge of \$19,564,000 was recognized in relation to the right-of-use assets. In the year ended December 31, 2019, a finance cost of \$3,472,000 was recognized in relation to right-of-use liabilities.

In year ended December 31, 2019, cash outflow relating to leases was \$19,127,000. Additions to right of use assets in the year ended December 31, 2019 was \$41,397,000.

During the year end December 31, 2019, a charge of \$9,449,000 was recognized in relation to short-term and low value leases.

In applying IFRS 16 for the first time, the Group has used the practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made in applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.

18. Investments**Equity investments**

The investments of the company are comprised of minor equity interests, convertible loan notes, and senior secured promissory loan notes, with a net book value as of December 31, 2019 of \$16,229,000 (2018: \$566,000), of which \$5,529,000 are carried at fair value with changes in fair value recognized within other comprehensive income and \$10,700,000 are held at amortized cost. In 2019 the Group acquired \$20,800,000 of minor equity interests, convertible loan notes, and senior secured promissory loan notes, and recorded a loss on investments carried at fair value of \$5,100,000 (\$5,000,000 was recognized in the statement of operations and \$100,000 in other comprehensive income).

Investments in associates

The table below (in thousands) illustrates the summarized financial information of the Group's investments in Farfetch Finance Limited and Alanui S.r.l. The investment in Alanui S.r.l. arose as a result of the Group's acquisition of New Guards (see Note 5 for further details). The Group's shareholdings in these entities and their principal activities can be found in Note 22.

	Share of associates net assets
At December 31, 2017	\$ 58
Share of profit after tax	28
At December 31, 2018	86
Additions due to business combinations	2,014
Share of profit after tax	366
At December 31, 2019	\$ 2,466

19. 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, cash held by payment service providers, 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. Cash and cash equivalents consist of the following at (in thousands):

	December 31, 2018	December 31, 2019
Cash held in banks	\$ 49,935	\$ 170,468
Money market funds	739,330	99,362
Short-term deposits	225,209	12,328
Amounts held by payment service providers	30,312	40,271
Total cash and cash equivalents	\$ 1,044,786	\$ 322,429

Notes to the consolidated financial statements (continued)

20. Share capital and share premium

Ordinary shares issued and fully paid as at December 31, 2019 (in thousands, except number of shares):

Number of shares	Class	Par value \$	Share capital	Share premium	Merger reserve	Total
296,740,928	Class A ordinary shares	0.04	\$ 11,870	\$ 832,498	\$ 783,529	\$ 1,627,897
42,858,080	Class B ordinary shares	0.04	1,714	45,509	-	47,223
339,599,008			\$ 13,584	\$ 878,007	\$ 783,529	\$ 1,675,120

During 2019, 39,742,008 shares were issued. All were fully paid and newly issued Class A ordinary shares. The nominal value of all shares issued is \$0.04 each. Out of the total shares issued, 4,641,554 Class A ordinary shares were issued in relation to the acquisition of Stadium Goods, and a total of 27,521,418 Class A ordinary shares were issued in relation to the acquisition of New Guards. Transaction costs recognized directly in equity amount to \$1,494,000 for Stadium Goods and \$2,004,000 for New Guards. Additionally, 7,579,036 Class A ordinary shares were issued in respect of share options and warrants that were exercised, and RSUs that have vested.

Ordinary shares issued and fully paid as at December 31, 2018 (in thousands, except number of shares):

Number of shares	Class	Par value \$	Share capital	Share premium	Merger reserve	Total
256,998,920	Class A ordinary shares	0.04	\$ 10,280	\$ 726,791	\$ 783,529	\$ 1,520,600
42,858,080	Class B ordinary shares	0.04	1,714	45,509	-	47,223
299,857,000			\$ 11,994	\$ 772,300	\$ 783,529	\$ 1,567,823

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 issuance 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.

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.

Notes to the consolidated financial statements (continued)

21. Reserves

Other reserves consist of the following (in thousands):

	Warrant reserve	Changes in ownership	Share based payments	Cashflow hedge reserve	Merger relief reserve	Other	Total other reserves
At December 31, 2016	\$ 747	\$ (8,666)	\$ 27,776	\$ -	\$ -	\$ -	\$ 19,857
Transactions with non-controlling interests	-	-	-	-	2,161	-	2,161
Share based payments - equity settled	-	-	16,457	-	-	-	16,457
At December 31, 2017	<u>747</u>	<u>(8,666)</u>	<u>44,233</u>	<u>-</u>	<u>2,161</u>	<u>-</u>	<u>38,475</u>
Movement in cash flow hedge reserve	-	-	-	436	-	-	436
Share based payments - equity settled	-	-	28,563	-	-	-	28,563
At December 31, 2018	<u>747</u>	<u>(8,666)</u>	<u>72,796</u>	<u>436</u>	<u>2,161</u>	<u>-</u>	<u>67,474</u>
Shares issued - acquisition of a subsidiary	-	-	-	-	393,853	-	393,853
Movement in cash flow hedge reserve	-	-	-	(3,385)	-	-	(3,385)
Share based payments - equity settled	-	-	76,383	-	-	-	76,383
Share based payments - reverse vesting shares	-	-	(82,646)	-	-	-	(82,646)
Exercise of warrants	(747)	-	-	-	-	-	(747)
Transaction with non-controlling interests	-	-	-	-	-	(101,311)	(101,311)
Impairment loss on revaluation of investments	-	-	-	-	-	(100)	(100)
Remeasurement loss on legally required severance plan	-	-	-	-	-	(58)	(58)
At December 31, 2019	<u>\$ -</u>	<u>\$ (8,666)</u>	<u>\$ 66,533</u>	<u>\$ (2,949)</u>	<u>\$ 396,014</u>	<u>\$ (101,469)</u>	<u>\$ 349,463</u>

The warrant reserve represents the cumulative expense of the shares to be issued where the Group has issued warrants. On exercise, the cumulative warrant expense is reclassified to accumulated losses. During 2019, all the warrants were exercised.

The changes in ownership reserve represents transactions with former non-controlling interests of the Group.

The share based payments reserve represents the Group's cumulative equity settled share option expense. On exercise, the cumulative share option expense is reclassified to accumulated losses.

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.

The transaction with non-controlling interests represents the initial recognition of the Chalhoub partnership.

22. Group information

At December 31, 2019, the Company's subsidiaries were as follows:

Direct Holdings					
Name	Country of incorporation	% equity interest		Principal activities	
		2018	2019		
Farfetch.com Limited	Isle of Man	100	100	Holding company	

Notes to the consolidated financial statements (continued)
Indirect Holdings

	Country of incorporation	% equity interest		Principal activities
		2018	2019	
Farfetch UK Limited	England & Wales	100	100	Marketing, providing editorial and merchant services
FFBR importacao e exportacao LTDA*	Brazil	100	100	Import & Export Agent for Farfetch
Farfetch.com Brasil Servicos LTDA**	Brazil	100	100	E-commerce, marketing and editorial services
Farfetch.com US LLC	USA	100	100	E-commerce and marketing
Farfetch-Portugal Unipessoal LDA	Portugal	100	100	Back office support
Farfetch HK Holdings Limited	Hong Kong	100	100	Holding Company
Browns (South Molton Street) Limited	England & Wales	100	100	Retail
Farfetch Japan Co Ltd	Japan	100	100	E-commerce and marketing
LASO.CO.LTD	Japan	100	100	E-commerce and marketing
Farfetch China (HK Holdings) Limited	Hong Kong	100	100	Holding company
Farfetch (Shanghai) E-Commerce Co. Ltd	China	100	100	E-commerce services
Farfetch HK Production Limited	Hong Kong	100	100	E-commerce and marketing
Farfetch Store of the Future Limited	England & Wales	100	100	Dormant
Fashion Concierge UK Limited	England & Wales	100	100	E-commerce services
F&C Fashion Concierge, LDA	Portugal	100	100	Dormant
Farfetch Black & White Limited	England & Wales	100	100	E-commerce services
Farfetch International Limited	Isle of Man	100	80	Holding company
Farfetch México, S.A de C.V***	Mexico	100	100	Back office support
Fashion Concierge Powered By Farfetch, LLC	USA	100	100	E-commerce services
Farfetch India Private Limited****	India	100	100	Back office support
Farfetch Middle East FZE	UAE	100	80	Back office support
Farfetch Italia S.R.L.	Italy	100	100	Back office support
Farfetch Australia Pty Ltd	Australia	100	100	Back office support
Farfetch US Holdings, INC	USA	100	100	Holding Company
Fashion Concierge HK Limited	Hong Kong	100	100	E-commerce services
Farfetch Finance Limited	England & Wales	25	25	Finance
Stadium Enterprises LLC	USA	100	100	E-commerce services
SGNY1 LLC	USA	-	100	E-commerce services
Kicks Lite LLC	USA	-	100	E-commerce services
Farfetch RU LLC	Russia	-	100	Back office support
Beijing Qizhi Ruisi Information Consulting Co., Ltd	China	-	78	E-commerce services
Farfetch UK FINCO Limited	England & Wales	-	100	Holding Company
Hulk Finco plc	England & Wales	-	100	Holding Company
New Guards Group Holding S.p.A	Italy	-	100	Retail
County S.r.l.	Italy	-	100	Retail
Off-White Operating S.r.l.	Italy	-	75	Retail
Venice S.r.l.	Italy	-	69	Retail
Unravel Project S.r.l.	Italy	-	61	Retail
Heron Preston S.r.l.	Italy	-	80	Retail
Alanui S.r.l.	Italy	-	53	Retail
APA S.r.l.	Italy	-	100	Retail

Notes to the consolidated financial statements (continued)

Heron Preston Trademark S.r.l.	Italy	-	51	Retail
KPG S.R.L.	Italy	-	75	Retail
Off-White Operating Milano S.r.l.	Italy	-	75	Retail
Off White Operating Holding, Corp.	USA	-	75	Retail
Off-White Operating Paris S.à r.l.	France	-	75	Retail
Off White Operating Soho, LLC	USA	-	75	Retail
Off White Operating Miami, LLC	USA	-	75	Retail
Off White Operating Vegas, LLC	USA	-	75	Retail
Off White Operating Los Angeles, LLC	USA	-	75	Retail
Off White Operating London Limited	UK	-	75	Retail

* 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%)

23. 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.

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 (in thousands):

	Curiosity China	Farfetch International Limited (IOM)	New Guards	Total
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -
Non-controlling interest arising from a business combination	209	-	158,408	158,617
Profit for the year attributable to non-controlling interests	200	1,225	10,184	11,609
Dividends paid	-	-	-	-
Balance at December 31, 2019	409	1,225	168,592	170,226
% of non-controlling interest	22%	20%	0%-49%	

24. Trade and other payables

Trade and other payables consisted of the following at December 31 (in thousands):

	2018	2019
Trade payables	\$ 96,176	\$ 180,270
Other payables	350	11,062
Social security and other taxes	6,194	12,741
Income tax payable	1,514	28,289
Deferred revenue	4,145	29,966
Accruals	85,779	179,657
Derivatives financial liabilities	-	5,601
Total accruals and deferred revenue	\$ 194,158	\$ 447,586

Notes to the consolidated financial statements (continued)

Accruals increased to \$179,657,000 during the year ended December 31, 2019 (December 31, 2018: \$85,779,000) due to the incorporation of the new acquisition New Guards and to the expansion of the Company's global office presence. At December 31, 2019, accruals comprised mainly of \$44,366,000 of goods received but not invoiced (December 31, 2018: \$10,015,000), \$34,799,000 of employee benefits accruals (December 31, 2018: \$14,858,000), \$29,136,000 of marketing services accruals (December 31, 2018: \$14,435,000) and \$18,557,000 of shipping services accruals (December 31, 2018: \$9,426,000).

25. Warrants

During 2016, the Group issued warrants, which are linked to the \$20 million of promissory notes issued in 2016, which were subsequently repaid in 2017.

Date of issue	Number of shares	Warrant price	Expiration date
October 3, 2016	122,935	\$ 6.15	12 years from issue date
August 1, 2016	33,530	\$ 6.15	12 years from issue date
December 23, 2016	33,530	\$ 6.15	12 years from issue date

In the year ending December 31, 2019, all warrants above were exercised.

26. Provisions

Provisions consist of the following at December 31 (in thousands):

	Dilapidations provision		Share based payments employment taxes provision		Provision for withholding taxes		Other Provisions		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
At January 1	\$ 2,165	\$ 2,515	\$ 2,977	\$ 10,947	\$ -	\$ -	\$ -	\$ -	\$ 5,142	\$ 13,462
Recognised on acquisition of subsidiary	-	-	-	-	-	16,000	-	-	-	16,000
Additional provision in the year	1,263	1,015	6,614	6,820	-	-	-	873	7,877	8,708
Transfer to trade and other payables	-	-	2,182	-	-	-	-	-	2,182	-
Release of provision in the year	(815)	(190)	-	(4,583)	-	(4,000)	-	-	(815)	(8,773)
Utilized provision in the period	-	(20)	-	(5,729)	-	(500)	-	-	-	(6,249)
Foreign exchange	(98)	32	(826)	524	-	-	-	-	(924)	556
At December 31	\$ 2,515	\$ 3,352	\$ 10,947	\$ 7,979	\$ -	\$ 11,500	\$ -	\$ 873	\$ 13,462	\$ 23,704

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 \$3,352,000 (2018: \$2,515,000). 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 the leases. The leases have an average lease term of seven years with an average of four years remaining.

Notes to the consolidated financial statements (continued)

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 \$7,979,000 (2018: \$10,947,000). When a share option is exercised, the liability for employment related taxes crystallizes. During 2019, \$5,729,000 (2018: \$2,182,000) was transferred from provisions to trade and other payables. As at December 31, 2019, nil amounts transferred to trade and other payables were utilized (2018: \$nil). We expect the provision to be fully utilized in 9.79 years (2018: 9.54 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.

27. 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. A deferred tax asset was recognized in 2017 following the acquisition of Style.com equal to and to fully offset the deferred tax liability. Deferred tax assets have been offset against deferred tax liabilities when they are in the same jurisdiction. Refer to Note 5 for more information.

As a result of the acquisition of New Guards, Farfetch Group recognized a deferred tax liability of \$231,652,000 on the New Guards acquired intangible assets. As a result of the acquisition of New Guards, the Group has recognized deferred tax assets of \$5,324,000 mainly related to an inventory write off provision. The deferred tax release as at December 31, 2019 is equal to \$12,800,000 following the amortization process. Following the acquisition of Curiosity China, the Group also recognized a deferred tax liability of \$921,000.

Deferred tax assets and liabilities consist of the following at December 31 (in thousands):

Deferred tax assets		2018	2019
At January 1		\$ 1,079	\$ 745
Deferred tax recognized		-	5,324
Foreign exchange		(52)	(24)
Released to profit or loss		(282)	(721)
At December 31		\$ 745	\$ 5,324

Deferred tax liabilities	Note	2018	2019
At January 1		\$ 1,079	\$ 745
Deferred tax recognized on acquisition	5	-	232,573
Foreign exchange		(52)	(24)
Released to profit or loss		(282)	(13,505)
At December 31		\$ 745	\$ 219,789

Deferred tax, net liability			
At December 31		\$ -	\$ 214,465

Notes to the consolidated financial statements (continued)

Unrecognized deferred tax assets

Unutilized trading tax losses

The Group has accumulated unutilized tax losses carried forward as at December 31, 2019 of \$629,000,000 (2018: \$382,000,000). 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.

	Local currency	2018 Local 'm	2018 \$'m	2019 Local 'm	2019 \$'m
UK trading losses	GBP	259	331	404	529
US Net Operating Losses ("NOL")	USD	34	34	80	80
Brazil trading losses	BRL	49	13	66	16
Japan trading losses	JPY	274	2	343	3
Hong Kong trading losses	HKD	14	2	8	1
			<u>382</u>		<u>629</u>

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 £5,000,000 of profits, and an additional 50% of profits that exceed £5,000,000.

US NOL as at December 31, 2019 (\$80,000,000) 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 have an indefinite carry forward period but are subject to an 80% limitation per year.

Brazil, Japan and Hong Kong trading losses as at December 31, 2019 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. Japanese NOLs carryforward incurred during fiscal years starting on or after 1 April 2018 can be carried forward only for ten years.

Unutilized future tax deductions on employee share option gains

The Group has an unrecognized gross deferred tax asset of approximately \$109,740,000 in respect of a future tax deduction on share options that are unexercised as at 31 December 2019 that when exercised will result in a gain and a potential deduction for corporation tax purposes. A net deferred tax asset (\$19,000,000 as at 31 December 2019) 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.

Unutilized future tax deductions on Goodwill

The Group has an unrecognized deferred tax asset of approximately \$5,313,000 (2018: nil) in respect of goodwill recognized on the acquisition of Stadium Goods. The unrecognized deferred tax asset results from the future tax deductions available in relation to this item of goodwill exceeding its statement of financial position value. 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.

Notes to the consolidated financial statements (continued)**28. Commitments and guarantees****Consolidated**

From 1 January 2019, the group has recognized right-of-use assets for all lease contracts, except for short-term and low-value leases, see Note 17 for further information.

Future minimum lease payments under leases (2018: operating leases) as at December 31 were (in thousands):

	2018	2019
No later than one year	\$ 15,820	\$ 24,065
Later than one year not later than three years	26,599	44,282
Later than three year not later than five years	22,584	34,705
Later than five years	38,031	37,216
Total future lease payments	\$ 103,034	\$ 140,268

The Group's leases (2018: 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 (2018: none). Several lease agreements include a right to renew at the end of the lease term.

Our contingent liabilities at December 31, 2019, are described at Note 31 (2018: none).

29. Related party disclosures

Platforme International Limited is a related party of J M F Neves. The Group generated commission of \$460,000 (2018: \$557,000) from Platforme International Limited. The Group had a \$80,000 payable as at the end of December 31, 2019 (2018: \$13,000 receivable).

Total compensation and benefits in kind (excluding share based payments) to key management personnel amounted to \$1,793,000 (2018: \$1,284,000). In addition to this, there was share based payment compensation of \$26,376,000 (2018: \$7,869,000).

Up until July 8, 2019, when it disposed of its investment in the Group, Conde Nast was a related party by virtue of its shareholding in the Group. In 2019, there were no transactions with Conde Nast. In 2018, the Group incurred marketing expenditure of \$346,000 and had a \$19,000 payable.

Up until October 21, 2017, when Fashion Concierge UK Limited was acquired, the Group made sales totaling, \$110,000 to Fashion Concierge UK Limited. This was a related party of J M F Neves.

Alanui S.r.L. is a related party of New Guards Group Holding S.p.A, due to it being an associate of the Group. New Guards owns a stake of 53% but it does not have control over the entity. The Group recognized sales of \$291,000 during the post-acquisition period between August and December 2019. As at December 31 2019, the Group had trade receivables of \$291,000 (2018: nil) and trade payables of \$188,000 (2018: nil).

The Group's ultimate controlling party is J M F Neves by virtue of holding the majority of voting rights in the Group.

30. 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. At December 31, 2018 and December 31 2019, the capital structure consisted solely of equity and the Group was not subject to any externally imposed capital requirements.

The Group has identified two principal risks being market risk (foreign exchange) and liquidity risk.

Notes to the consolidated financial statements (continued)

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.

Categories of financial instruments

Financial assets (in thousands)

	Amortized cost 2018	Amortized cost 2019
Current		
Trade and other receivables	\$ 48,285	\$ 154,813
Cash and cash equivalents	1,044,786	322,429
Non-current		
Other receivables	10,458	12,388
Total	<u>\$ 1,103,529</u>	<u>\$ 489,630</u>

	2018	2019
Foreign currency forwards - held at FVTPL	\$ 255	\$ 587
Foreign currency forwards - held as cash flow hedges	436	2,437
Derivative financial assets	<u>\$ 691</u>	<u>\$ 3,024</u>

Financial liabilities (in thousands)

	Amortized cost 2018	Amortized cost 2019
Trade payables	\$ 96,176	\$ 180,270
Other payables	350	11,062
Total	<u>\$ 96,526</u>	<u>\$ 191,332</u>

	2018	2019
Foreign currency forwards - held at FVTPL	\$ -	\$ 255
Foreign currency forwards - held as cash flow hedges	-	5,346
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 5,601</u>

	Fair value through profit or loss 2018	Fair value through profit or loss 2019
Contingent consideration	\$ -	\$ 62,386
Total contingent consideration	<u>\$ -</u>	<u>\$ 62,386</u>

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

Notes to the consolidated financial statements (continued)

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.

Market risk

The Group's activities expose it primarily to the financial risk of changes in foreign currency exchange rates (see table below, in thousands). 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.

	Fair value through profit or loss			
	Asset		Liability	
	2018	2019	2018	2019
Forward foreign exchange contracts	\$ 255	\$ 587	\$ -	\$ 255

	Cashflow hedges			
	Asset		Liability	
	2018	2019	2018	2019
Forward foreign exchange contracts	\$ 436	\$ 2,437	\$ -	\$ 5,346

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 (in thousands) 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.

	Less than one year	Less than one year
	2018	2019
Trade and other payables	\$ 96,526	\$ 191,332
Contingent consideration	-	1,118
Total current	\$ 96,526	\$ 192,450

	More than one year	More than one year
	2018	2019
Contingent consideration	\$ -	\$ 61,268
Borrowings	-	-
Total non-current	\$ -	\$ 61,268

Notes to the consolidated financial statements (continued)

All derivative financial instruments included in trade and other payables have a maturity of less than 12 months.

The contingent consideration is the liability associated with the non-controlling interests arising from the transactions with CuriosityChina and Chalhoub. The non-current contingent consideration is comprised of \$1.1 million and \$60.2 million expected to mature by the end of 2021 and 2022, respectively. See Note 23 for further information.

Credit risk

Credit risk is the risk that financial loss arises from the failure of a consumer 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 receivables. The Group applies a loss allowance to trade and other receivables. As at December 31, 2019 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%.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2019 or January 1, 2019 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 consumers 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, 2019, the Group holds restricted cash of \$12.5 million (2018: \$nil).

The Group is not subject to any externally imposed capital requirements. The capital structure is as follows (in thousands):

	2018	2019
Total borrowings	\$ -	\$ -
Less: cash and cash equivalents	(1,044,786)	(322,429)
Net cash	(1,044,786)	(322,429)
Total equity	1,128,431	1,337,832
Total	\$ 83,645	\$ 1,015,403

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 approves policies, which have remained substantially unchanged for the year under review, for managing these risks.

Hedge accounting classification and impact

The Group designates certain forward foreign exchange contracts as cash flow hedges of forecast foreign currency revenue and costs. During the current year, losses of \$7.9m (2018: \$nil) were removed from the cash flow hedge reserve. A gain of \$0.5m (2018: \$nil) was taken to revenue, a loss of \$0.2m (2018: \$nil) was taken to cost of revenue and a loss of \$8.1m (2018: nil) was taken to selling, general and administration expenses. A loss of \$0.1m (2018: \$nil) was added to inventories in the statement of financial position.

The Group uses a qualitative method for assessing hedge effectiveness. The hedge is assessed at inception and throughout the life of the hedge. Effectiveness between the hedged item and hedging instrument is tested by comparing the critical terms of both items and concluding that they are offsetting.

Fair value hierarchy

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.

In the year ended December 31, 2019, all contingent consideration was settled through the issue of shares. The valuation of contingent consideration was based upon the share price of the Group, which is deemed to be observable.

There have been no significant changes in the measurement and valuation techniques, or transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments, or changes in the classification of financial assets and liabilities. The carrying amount of the Group's financial assets and financial liabilities are the same as their fair value.

Contingent consideration

The Group records contingent consideration arrangements at fair value based on the present-value of probability-weighted future cash flows related to the performance criteria and the fair value of our common stock at each reporting date.

We classify our contingent consideration liability in connection with investment related activity in 2019 within Level 2 of the fair value hierarchy as the lowest level inputs used to develop the estimated fair value are directly or indirectly observable. The estimated fair value of our contingent consideration liability is based on the present-value of probability-weighted future cash flows related to the performance criteria and the fair value of our common stock at each reporting date. Changes in the fair value of the contingent consideration liability subsequent to the acquisition date, such as changes in the probability assessment and the fair value of our common stock, are recognized in earnings in the period when the change in the estimated fair value occurs. During the year ended December 31, 2019, we recognized initially contingent consideration liabilities of \$105,586,000. Subsequently we recognized a decrease in the fair value of our contingent consideration liability of \$43,200,000, in gains on items held at fair value in our consolidated statement of operations, primarily due to a decrease in the fair value of our common stock.

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 (in thousands) shows the Group's sensitivity to U.S. dollars strengthening/weakening by 10%:

	Increase/ (decrease) in profit or loss	Increase/ (decrease) in profit or loss
	2018	2019
10% appreciation of United States dollars	\$ 29,169	\$ (21,661)
10% depreciation of United States dollars	\$ (35,651)	\$ 26,475

This analysis reflects the impact on the statement of operations due to financial assets and liabilities held at the balance sheet date and is based on foreign currency exchange rate variances that the Group considers to be reasonably possible at the end of the reporting year. The analysis assumes that all other variables, in particular interest rates, remain constant.

31. Other non-current liabilities

Other non-current liabilities consist of the following at December 31 (in thousands):

	2018	2019
Equity-settled awards liability	\$ -	\$ 12,139
Cash-settled awards liability	15,342	3,120
Employee severance liability	-	1,048
Other	-	148
Total non-current liabilities	\$ 15,342	\$ 16,455

The employee severance liability arises from a legally required severance protection program for the employees of our Italian subsidiaries at the time of their departure from the Group.

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, 2019, the Group had four equity settled share based payment plans which are described below.

Type of arrangement	EMI approved share option plan	Unapproved share option plan	LTIP 2015 plan	LTIP 2018 plan
Date of first grant	November 1, 2011	July 1, 2011	September 9, 2015	September 20, 2018
Number granted	5,505,600	11,332,835	38,174,980	17,051,417
Contractual life	10 years	10 years	10 years	10 years
Vesting conditions	Varying tranches of options vesting upon defined years of service	Varying tranches of options vesting upon defined years of service	Varying tranches of options vesting upon defined years of service with certain awards having non-market conditions	Varying tranches of options and Restricted Stock Units (RSU) vesting upon defined years of service

Notes to the consolidated financial statements (continued)

Movements on the share options were as follows:

	2017	2018	2019
	Number of options	Number of options	Number of options
Options at beginning of year	17,522,365	32,307,010	44,218,814
Options granted	15,666,155	18,209,410	13,585,502
Options exercised	(198,525)	(3,032,571)	(7,503,814)
Options forfeited	(682,985)	(3,265,035)	(10,716,644)
Options at end of year	32,307,010	44,218,814	39,583,858
Options exercisable at end of year	12,551,425	16,830,409	10,360,642

Weighted average exercise prices were as follows:

	2017	2018	2019
Options at beginning of year	\$ 2.01	\$ 4.43	\$ 6.15
Options granted	\$ 7.10	\$ 9.84	\$ 8.94
Options forfeited	\$ 6.71	\$ 7.31	\$ 5.70
Options exercised	\$ 0.08	\$ 2.38	\$ 1.25
Options at end of year	\$ 4.43	\$ 6.15	\$ 8.23
Options exercisable at year end	\$ 1.59	\$ 2.33	\$ 6.40
Weighted average remaining contracted life of options outstanding at year end	8.00 years	9.54 years	9.79 years

	2017	2018	2019
	Number of options	Number of options	Number of options
Exercise price of options outstanding at year end			
\$0.00 to \$0.08	5,868,735	4,416,525	8,545,400
\$0.09 to \$0.56	5,581,825	2,126,540	27,340
\$0.57 to \$3.52	6,302,505	4,595,104	629,730
\$3.53 to \$5.73	8,589,445	6,257,690	3,225,120
\$5.74 to \$7.39	5,964,500	7,890,495	5,873,001
\$7.40 to \$20.00	-	18,932,460	17,402,097
\$20.01 to \$27.09	-	-	3,881,170
	32,307,010	44,218,814	39,583,858
Weighted average fair value of options granted in year	\$ 2.41	\$ 4.17	\$ 15.54

Weighted average share price at the date of exercise for options exercised during the year ended December 31, 2019 was \$22.62 (2018: \$20.00).

Inputs in the Black Scholes model for share options granted during the year and prior year were as follows:

	2017	2018	2019
Black Scholes model			
Weighted average share price	\$ 9.87	\$ 11.83	\$ 21.73
Weighted average exercise price	\$ 7.10	\$ 9.84	\$ 8.94
Average expected volatility	20%	23%	36%
Expected life	4 years	4 years	4 years
Risk free rate	1.85%	2.75%	2.15%
Expected dividends	\$nil	\$nil	\$nil

Notes to the consolidated financial statements (continued)

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 \$150,333,000, \$34,668,000, and \$16,667,000 related to equity-settled share based payment transactions in 2019, 2018 and 2017 respectively. In 2019, as part of the New Guard's acquisition, we recorded a \$12,139,000 liability for equity settled awards.

b. Cash settled

Since 2016 the Group issues to certain employees share appreciation rights ("SAR"s) 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 \$3,120,000 in 2019 (\$15,342,000 in 2018) through the grant of 137,000 SARs (2018: 769,000 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 2019 expense of \$10,675,000 (2018: \$10,355,000, 2017: \$3,807,000), is a revaluation loss of \$2,161,000 (2018: gain of \$6,079,000). The total intrinsic value at December 31, 2019 was \$3,361,000 (2018: \$19,425,000) of which \$2,443,000 is fully vested (2018: \$8,722,000).

32. Events after the reporting year

On February 5, 2020, Farfetch completed the private placement of convertible senior notes (the "Notes") to Tencent and Dragoneer (together, the "Purchasers"), pursuant to which Farfetch received \$250 million and issued the Notes to the Purchasers. The Notes will mature on December 31, 2025, unless earlier converted, redeemed or repurchased in accordance with their terms. The Notes are senior, unsecured obligations and bear interest at a rate of 5.00% per year, payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year, commencing on March 31, 2020. The Notes may be converted at an initial conversion price of \$12.25. Upon conversion, the Notes will be settled, at Farfetch's election, in Class A ordinary shares, cash, or a combination of cash and Class A ordinary shares (subject to certain exceptions set forth in the Indenture). Holders of the Notes will have the right to require Farfetch to repurchase all or some of their Notes for cash at 100% (or 150%, in the event of a change in control, as defined in the Indenture) of their principal amount, plus all accrued and unpaid interest to, and including, the maturity date, upon the occurrence of certain corporate events, subject to certain conditions.

Farfetch may not redeem the Notes prior to the fourth anniversary of the closing date, unless certain changes in tax law or other related events occur. Farfetch may redeem all, but not less than all, of the Notes, at its option, four years after the closing date, but on or before the 35th scheduled trading day immediately preceding the maturity date, at a redemption price equal to 165% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, and excluding, the redemption date.

THE COMPANIES LAW (AS AMENDED)
COMPANY LIMITED BY SHARES
AMENDED AND RESTATED
MEMORANDUM OF ASSOCIATION
OF
FARFETCH LIMITED
(ADOPTED BY SPECIAL RESOLUTION DATED 20 SEPTEMBER 2018)



THE COMPANIES LAW (AS AMENDED)

COMPANY LIMITED BY SHARES

AMENDED AND RESTATED

MEMORANDUM OF ASSOCIATION

OF

FARFETCH LIMITED

(ADOPTED BY SPECIAL RESOLUTION DATED 20 SEPTEMBER 2018)

1. The name of the company is Farfetch Limited (the “**Company**”).
2. The registered office of the Company will be situated at the offices of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands or at such other location as the Directors may from time to time determine.
3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law (as amended) of the Cayman Islands (the “**Companies Law**”).
4. The Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by Section 27(2) of the Companies Law.
5. The Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this section shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
6. The liability of the shareholders of the Company is limited to the amount, if any, unpaid on the shares respectively held by them.
7. The capital of the Company is **US\$20,000,000** divided into **500,000,000** shares with a nominal or par value of **US\$0.04** each provided always that subject to the Companies Law and the Articles of Association the Company shall have power to redeem or purchase any of its shares and to sub-divide or consolidate the said shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide every issue of shares whether stated to be ordinary, preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.
8. The Company may exercise the power contained in Section 206 of the Companies Law to deregister in the Cayman Islands and be registered by way of continuation in some other jurisdiction.



THE COMPANIES LAW (AS AMENDED)
COMPANY LIMITED BY SHARES
AMENDED AND RESTATED
ARTICLES OF ASSOCIATION
OF
FARFETCH LIMITED
(ADOPTED BY SPECIAL RESOLUTION DATED 20 SEPTEMBER 2018)



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COMPANIES LAW (AS AMENDED)

COMPANY LIMITED BY SHARES

AMENDED AND RESTATED

ARTICLES OF ASSOCIATION

OF

FARFETCH LIMITED

(ADOPTED BY SPECIAL RESOLUTION DATED 20 SEPTEMBER 2018)

TABLE A

The Regulations contained or incorporated in Table 'A' in the First Schedule of the Companies Law shall not apply to Farfetch Limited (the "**Company**") and the following Articles shall comprise the Articles of Association of the Company.

INTERPRETATION

1. In these Articles the following defined terms will have the meanings ascribed to them, if not inconsistent with the subject or context:

"**Articles**" means these articles of association of the Company, as amended or substituted from time to time.

"**Branch Register**" means any branch Register of such category or categories of Members as the Company may from time to time determine.

"**Class**" or "**Classes**" means any class or classes of Shares as may from time to time be issued by the Company.

"**Class A Shares**" means Class A Shares of US\$0.04 par value each in the capital of the Company designated as such and having the rights and being subject to the limitations set out in these Articles.

"**Class B Shares**" means Class B Shares of US\$0.04 par value each in the capital of the Company designated as such and having the rights and being subject to the limitations set out in these Articles.

"**Commission**" means the Securities and Exchange Commission of the United States of America or any other federal agency for the time being administering the Securities Act.

"**Companies Law**" means the Companies Law (as amended) of the Cayman Islands.

"**Conversion Date**" means the date on which the last issued and outstanding Class B Shares in the capital of the Company are converted into Class A Shares.

"**Conversion Notice**" has the meaning given in Article 16.



“Conversion Rate” means the ratio at which Class A Shares shall be issuable upon conversion of the Class B Shares. The Conversion Rate shall initially be 1:1, and shall be subject to adjustment as provided in Article 15 below.

“Conversion Shares” has the meaning given in Article 16.

“Deferred Share Conversion Date” has the meaning given in Article 16.

“Deferred Shares” means Deferred Shares of US\$0.04 par value each in the capital of the Company designated as such and having the rights and being subject to the limitations set out in these Articles.

“Designated Stock Exchange” means any national securities exchange or automated quotation system on which the Company’s securities are then traded, including but not limited to the New York Stock Exchange and Nasdaq Stock Market.

“Directors” means the directors of the Company for the time being, or as the case may be, the directors assembled as a board or as a committee thereof.

“Founder” means Jose Neves.

“Memorandum of Association” means the memorandum of association of the Company, as amended or substituted from time to time.

“Office” means the registered office of the Company as required by the Companies Law.

“Officers” means the officers for the time being and from time to time of the Company.

“Ordinary Resolution” means a resolution:

- (a) passed by a simple majority of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Shareholder is entitled; or
- (b) approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed.

“paid up” means paid up as to the par value in respect of the issue of any Shares and includes credited as paid up.

“Permitted Transferee” means:

- (a) the Founder;
- (b) any of the following with respect to one or more Permitted Transferees:
 - (i) a trust for the benefit of the Founder; or



- (ii) an Individual Retirement Account, as defined in Section 408(a) of the United States Internal Revenue Code of 1986, as amended, or a pension, profit sharing, stock bonus or other type of plan or trust of which one or more such Permitted Transferees is a participant or beneficiary and which satisfies the requirements for qualification under Section 401 of the United States Internal Revenue Code of 1986, as amended; or any comparable structure established under the laws of any relevant jurisdiction; provided that in each case one or more Permitted Transferees have sole dispositive power and exclusive Voting Control with respect to the Class B Shares held in such account, plan or trust; or
- (iii) a corporation, partnership, limited partnership, limited liability company or other entity in which one or more such Permitted Transferees directly, or indirectly through one or more Permitted Transferees, owns shares, partnership interests, limited partnership interests, limited liability company interests or other interests, respectively, with sufficient Voting Control in such entity, or otherwise have legally enforceable rights, such that one or more Permitted Transferees retain dispositive power and Voting Control with respect to the Class B Shares held by such entity.

“Person” means any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires, other than in respect of a Director or Officer in which circumstances Person shall mean any person or entity permitted to act as such in accordance with the laws of the Cayman Islands.

“Principal Register” where the Company has established one or more Branch Registers pursuant to the Companies Law and these Articles, means the Register maintained by the Company pursuant to the Companies Law and these Articles that is not designated by the Directors as a Branch Register.

“Recused Director” means any Director determined to be a Recused Director in accordance with Article 121.

“Register” means the register of Members of the Company required to be kept pursuant to the Companies Law and includes any Branch Register(s) established by the Company in accordance with the Companies Law.

“Relevant Securities” means any Shares in the capital of the Company, any instrument issued by the Company that is convertible into any Shares in the capital of the Company and/or any debt security of the Company, being any debt instrument of the Company that is negotiable or capable of being traded.

“Seal” means the common seal of the Company (if adopted) including any facsimile thereof.

“Secretary” means any Person appointed by the Directors to perform any of the duties of the secretary of the Company.

“Securities Act” means the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.



“**Share**” means a share in the capital of the Company. All references to “**Shares**” herein shall be deemed to be Shares of any or all Classes as the context may require. For the avoidance of doubt in these Articles the expression “**Share**” shall include a fraction of a Share.

“**Shareholder**” or “**Member**” means a Person who is registered as the holder of Shares in the Register and includes each subscriber to the Memorandum of Association pending entry in the Register of such subscriber.

“**Share Premium Account**” means the share premium account established in accordance with these Articles and the Companies Law.

“**signed**” means bearing a signature or representation of a signature affixed by mechanical means.

“**Special Resolution**” means a special resolution of the Company passed in accordance with the Companies Law, being a resolution:

- (a) passed by a majority of not less than two-thirds of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a special resolution has been duly given and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Shareholder is entitled; or
- (b) approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments, if more than one, is executed.

“**Transfer**” with respect to a Class B Share means any sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of such share or any legal or beneficial interest in such Class B Share, whether or not for value and whether voluntary or involuntary or by operation of law, including, without limitation:

- (a) a transfer of a Class B Share to a broker or other nominee (regardless of whether or not there is a corresponding change in beneficial ownership); or
- (b) the transfer of, or entering into a binding agreement with respect to, Voting Control over a Class B Share by proxy or otherwise, other than with respect to a Permitted Transferee.

Notwithstanding the forgoing, a “**Transfer**” shall not include:

- (i) the grant of a proxy to officers or directors of the Company at the request of the Board of Directors in connection with actions to be taken at a general or special meeting;
- (ii) the grant of a pledge or other security interest in respect of Class B Shares by a holder of Class B Shares that creates a mere security interest or equitable mortgage in such shares pursuant to a bona fide loan or indebtedness transaction so long as the holder of such Class B Shares continues to exercise Voting Control over such pledged shares; or



- (iii) the fact that, at any time, the spouse of any holder of Class B Shares possesses or obtains an interest in such holder's Class B Shares arising solely by reason of the application of the community property laws of any jurisdiction.

"Treasury Shares" means Shares that were previously issued but were purchased, redeemed, surrendered or otherwise acquired by the Company and not cancelled.

"Voting Control" means the exclusive power (whether directly or indirectly) to vote or direct the voting of such Class B Share or other relevant security by proxy, voting agreement or otherwise.

2. In these Articles, save where the context requires otherwise:

- (a) words importing the singular number shall include the plural number and vice versa;
- (b) words importing the masculine gender only shall include the feminine gender and any Person as the context may require;
- (c) the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative;
- (d) reference to a dollar or dollars or USD (or \$) and to a cent or cents is reference to dollars and cents of the United States of America;
- (e) reference to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force;
- (f) reference to any determination by the Directors shall be construed as a determination by the Directors in their sole and absolute discretion and shall be applicable either generally or in any particular case;
- (g) reference to "in writing" shall be construed as written or represented by any means reproducible in writing, including any form of print, lithograph, email, facsimile, photograph or telex or represented by any other substitute or format for storage or transmission for writing or partly one and partly another; and
- (h) references to the exercise by a Shareholder of "voting power" or words to that effect, shall be construed as a reference to the percentage of the votes permitted to be cast by such Shareholder at the relevant meeting of Shareholders as a percentage of the aggregate number of votes permitted to be cast by Shareholders entitled to attend and vote at such meeting.

3. Subject to the preceding Articles, any words defined in the Companies Law shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.



PRELIMINARY

4. The business of the Company may be commenced at any time after incorporation.
5. The Office shall be at such address in the Cayman Islands as the Directors may from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.
6. The expenses incurred in the formation of the Company and in connection with the offer for subscription and issue of Shares shall be paid by the Company. Such expenses may be amortised over such period as the Directors may determine and the amount so paid shall be charged against income and/or capital in the accounts of the Company as the Directors shall determine.
7. The Directors shall keep, or cause to be kept, the Register at such place or (subject to compliance with the Companies Law and these Articles) places as the Directors may from time to time determine. In the absence of any such determination, the Register shall be kept at the Office. The Directors may keep, or cause to be kept, one or more Branch Registers as well as the Principal Register in accordance with the Companies Law, provided always that a duplicate of such Branch Register(s) shall be maintained with the Principal Register in accordance with the Companies Law and the rules or requirements of any Designated Stock Exchange.

SHARES

8. Subject to these Articles and, where applicable, the rules of the Designated Stock Exchange, all Shares for the time being unissued shall be under the control of the Directors who may:
 - (a) issue, allot and dispose of the same to such Persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to time determine; and
 - (b) grant options with respect to such Shares and issue warrants or similar instruments with respect thereto;and, for such purposes, the Directors may reserve an appropriate number of Shares for the time being unissued.
9. The Directors, or the Shareholders by Ordinary Resolution, may authorise the division of Shares into any number of Classes and sub-classes and the different Classes and sub-classes shall be authorised, established and designated (or re-designated as the case may be) and the variations in the relative rights (including, without limitation, voting, dividend and redemption rights), restrictions, preferences, privileges and payment obligations as between the different Classes (if any) may be fixed and determined by the Directors or the Shareholders by Ordinary Resolution.
10. The Company may insofar as may be permitted by law, pay a commission to any Person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any Shares. Such commissions may be satisfied by the payment of cash or the lodgement of fully or partly paid-up Shares or partly in one way and partly in the other. The Company may also pay such brokerage as may be lawful on any issue of Shares.



11. The Directors may refuse to accept any application for Shares, and may accept any application in whole or in part, for any reason or for no reason.

SPECIFIC RIGHTS ATTACHING TO SHARES

12. Participation

- (a) The Class A Shares shall confer upon the Shareholders rights in a winding-up or repayment of capital and the right to participate in the profits or assets of the Company, in each case on a basis *pari passu* with the Class B Shares, in accordance with these Articles.
- (b) The Class B Shares shall confer upon the Shareholders rights in a winding-up or repayment of capital and the right to participate in the profits or assets of the Company, in each case on a basis *pari passu* with the Class A Shares, in accordance with these Articles.
- (c) The Deferred Shares shall confer upon the Shareholders rights in a winding-up or repayment of capital in accordance with these Articles but shall otherwise confer no right to participate in the profits or assets of the Company.

13. Voting Rights

- (a) The Class A Shares shall confer upon such Shareholders the right to receive notice of and to attend and to vote at any general meeting of the Company, and at any such meeting, the holders of Class A Shares shall have one (1) vote per Class A Share.
- (b) The Class B Shares shall confer upon such Shareholders the right to receive notice of and to attend and to vote at any general meeting of the Company, and at any such meeting, the holders of Class B Shares shall have twenty (20) votes per Class B Share.
- (c) The Deferred Shares shall confer upon such Shareholders no right to receive notice of nor to attend or to vote at any general meeting of the Company.

14. Conversion of Class B Shares

The Class B Shares shall be subject to the following provisions with regard to conversion:

(a) Right to Convert Class B Shares

Unless converted earlier pursuant to Article 15(b) below, each Class B Share shall be convertible, at the option of the holder thereof, at any time into such number of fully paid and non-assessable Class A Shares at the then-applicable Conversion Rate (defined below).

(b) Automatic Conversion

A Class B Share shall automatically be converted into Class A Shares at the then applicable Conversion Rate upon the date upon which:

- (i) the Founder dies;



- (ii) in respect of any Class B Share, upon the Transfer of such Class B Share to a Person who is not a Permitted Transferee; or
- (iii) in respect of all issued and outstanding Class B Shares, upon the aggregate number of such issued and outstanding Class B Shares ceasing to represent in the aggregate at least sixty five per cent. (65%) of the Class B Shares initially issued to the Founder and/or any other Permitted Transferee.

(c) Mechanics of Conversion

- (i) In the event that a holder of Class B Shares shall effect an optional conversion pursuant to Article 14(a) such conversion shall be deemed to have been made immediately prior to the close of business on the date upon which such election is expressed to be effective, and the Person or Persons entitled to receive the Class A Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Class A Shares on such date.
- (ii) In the event of an automatic conversion pursuant to Article 15(b):
 - (A) all holders of Class B Shares will be given so much prior notice as shall be practicable of the occurrence of an event causing the automatic conversion of all such Class B Shares pursuant to this Article 15;
 - (B) such conversion shall be deemed to have been made immediately prior to the close of business on the date upon which such conversion is effective, and the Person or Persons entitled to receive the Class A Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Class A Shares on such date.
- (iii) On the date fixed for conversion:
 - (A) the Register shall be updated to show that the converted Class B Shares have been redeemed or repurchased, and Class A Shares issued and allotted;
 - (B) all rights with respect to the Class B Shares so converted will terminate, with the exception of the rights of the holders thereof to receive Class A Shares; and
 - (C) any certificates issued in respect of any Class B Shares so converted shall be cancelled and of no further effect.
- (iv) The Directors may effect such conversion in any manner available under applicable law, including redeeming or repurchasing the relevant Class B Shares and applying the proceeds thereof towards payment for the new Class A Shares. For purposes of the redemption or repurchase, the Directors may, subject to the Company being able to pay its debts in the ordinary course of business, make payments out of amounts standing to the credit of the Company's share premium account or out of its capital.



(d) Reservation of Shares Issuable Upon Conversion

The Company shall at all times keep available out of its authorized but unissued Class A Shares solely for the purpose of effecting the conversion of the Class B Shares such number of its Class A Shares as shall from time to time be sufficient to effect the conversion of all outstanding Class B Shares, and if at any time the number of authorized but unissued Class A Shares shall not be sufficient to effect the conversion of all then outstanding Class B Shares, in addition to such other remedies as shall be available to the holder of such Class B Shares, the Company and its Shareholders will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Class A Shares to such number of shares as shall be sufficient for such purposes.

15. Adjustments to Conversion Rate

The Conversion Rate shall be subject to adjustment for any:

- (a) subdivision or concentration of the number of Class A Shares (whether by share dividend, consolidation and subdivision of shares or otherwise) into a greater or lesser number of Class A Shares; or
- (b) any other capital reorganization, re-designation, conversion, reclassification or otherwise affecting the number or composition of the Class A Shares,

in each case where the Class B Shares (as applicable) have not been proportionately affected thereby.

16. Conversion of Class A Shares

The Class A Shares shall be subject to the following provisions with regard to conversion:

(a) Automatic Conversion

If any call option between the Company and a holder of Class A Shares becomes exercisable or if any Class A Share is an 'Unreleased Share' in accordance with the original terms of its issuance, the Board of Directors may serve a notice (the "**Conversion Notice**") on the relevant holder of Class A Shares specifying how many of the Class A Shares in respect of which the said option is exercisable (the "**Conversion Shares**") are to convert to Deferred Shares. If a Conversion Notice is served each such Conversion Share shall automatically and immediately convert into and be redesignated as a Deferred Share on such date as the Board of Directors may specify in the Conversion Notice (the "**Deferred Share Conversion Date**").

(b) Mechanics of Conversion

- (i) In the event of an automatic conversion pursuant to Article 16(a), such conversion shall be deemed to have been made immediately prior to the close of business on the date upon which such conversion is effective, and the Person or Persons entitled to receive the Deferred Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Deferred Shares on such date.



- (ii) On the date fixed for conversion:
- (A) the Register shall be updated to show that the converted Conversion Shares have been redeemed or repurchased, and Deferred Shares issued and allotted;
 - (B) all rights with respect to the Conversion Shares so converted will terminate, with the exception of the rights of the holders thereof to receive Deferred Shares; and
 - (C) any certificates issued in respect of any Conversion Shares so converted shall be cancelled and of no further effect.
- (iii) The Directors may effect such conversion in any manner available under applicable law, including redeeming or repurchasing the relevant Conversion Shares and applying the proceeds thereof towards payment for the new Deferred Shares. For purposes of the redemption or repurchase, the Directors may, subject to the Company being able to pay its debts in the ordinary course of business, make payments out of amounts standing to the credit of the Company's share premium account or out of its capital.

(c) Further Assurance

Each relevant holder of Class A Shares shall take any actions or execute any documents which the Board of Directors may reasonably request in relation to the conversion of any Conversion Shares pursuant to these Articles. If any holder of Class A Shares fails to comply with any such request, the Company shall be constituted the agent of that Shareholder for taking such actions as the Board of Directors may deem necessary or desirable to effect the conversion of the relevant Conversion Shares and the Board of Directors may authorise any Director or Officer of the Company to execute and deliver on behalf of that Shareholder any documents necessary or desirable to effect the conversion.

17. Surrender of Deferred Shares

Subject to applicable law, the Company may at any time at its option require all or some of the Deferred Shares registered in the name of any holder of such Deferred Shares to be surrendered without consideration and without first having obtained the consent of the holder(s) of the relevant Deferred Shares (or any of them).

MODIFICATION OF RIGHTS

18. Whenever the capital of the Company is divided into different Classes (and as otherwise determined by the Directors) the rights attached to any such Class may, subject to any rights or restrictions for the time being attached to any Class only be materially adversely varied or abrogated with the consent in writing of the holders of not less than two-thirds of the issued Shares of the relevant Class, or with the sanction of a resolution passed at a separate meeting of the holders of the Shares of such Class by a majority of two-thirds of the votes cast at such a meeting. To every such separate meeting all the provisions of these Articles relating to general meetings of the Company or to the proceedings thereat shall, *mutatis mutandis*, apply, except that the necessary quorum shall be one or more Persons at least holding or representing by



proxy one-third in nominal or par value amount of the issued Shares of the relevant Class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those Shareholders who are present shall form a quorum) and that, subject to any rights or restrictions for the time being attached to the Shares of that Class, every Shareholder of the Class shall on a poll have one vote for each Share of the Class held by him. For the purposes of this Article the Directors may treat all the Classes or any two or more Classes as forming one Class if they consider that all such Classes would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate Classes. The Directors may vary the rights attaching to any Class without the consent or approval of Shareholders provided that the rights will not, in the determination of the Directors, be materially adversely varied or abrogated by such action.

19. The rights conferred upon the holders of the Shares of any Class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the Shares of that Class, be deemed to be materially adversely varied or abrogated by, inter alia, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any Shares of any Class by the Company.

CERTIFICATES

20. No Person shall be entitled to a certificate for any or all of his Shares, unless the Directors shall determine otherwise.
21. Every share certificate of the Company shall bear any legends required under applicable laws, including the Securities Act.

FRACTIONAL SHARES

22. The Directors may issue fractions of a Share and, if so issued, a fraction of a Share shall be subject to and carry the corresponding fraction of liabilities (whether with respect to nominal or par value, premium, contributions, calls or otherwise), limitations, preferences, privileges, qualifications, restrictions, rights (including, without prejudice to the generality of the foregoing, voting and participation rights) and other attributes of a whole Share. If more than one fraction of a Share of the same Class is issued to or acquired by the same Shareholder such fractions shall be accumulated.

LIEN

23. The Company has a first and paramount lien on every Share (whether or not fully paid) for all amounts (whether presently payable or not) payable at a fixed time or called in respect of that Share. The Company also has a first and paramount lien on every Share (whether or not fully paid) registered in the name of a Person indebted or under liability to the Company (whether he is the sole registered holder of a Share or one of two or more joint holders) for all amounts owing by him or his estate to the Company (whether or not presently payable). The Directors may at any time declare a Share to be wholly or in part exempt from the provisions of this Article. The Company's lien on a Share extends to any amount payable in respect of it.
24. The Company may sell, in such manner as the Directors may determine, any Share on which the Company has a lien, but no sale shall be made unless an amount in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing, demanding payment of such part of the amount in respect of which the lien exists as is presently



payable, has been given to the registered holder for the time being of the Share, or the Persons entitled thereto by reason of his death or bankruptcy.

25. For giving effect to any such sale the Directors may authorise some Person to transfer the Shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the Shares comprised in any such transfer and he shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

26. The proceeds of the sale after deduction of expenses, fees and commission incurred by the Company shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the Shares prior to the sale) be paid to the Person entitled to the Shares immediately prior to the sale.

CALLS ON SHARES

27. The Directors may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their Shares, and each Shareholder shall (subject to receiving at least fourteen days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on such Shares.

28. The joint holders of a Share shall be jointly and severally liable to pay calls in respect thereof.

29. If a sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the Person from whom the sum is due shall pay interest upon the sum at the rate of eight percent per annum from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.

30. The provisions of these Articles as to the liability of joint holders and as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the amount of the Share, or by way of premium, as if the same had become payable by virtue of a call duly made and notified.

31. The Directors may make arrangements on the issue of partly paid Shares for a difference between the Shareholders, or the particular Shares, in the amount of calls to be paid and in the times of payment.

32. The Directors may, if they think fit, receive from any Shareholder willing to advance the same all or any part of the moneys uncalled and unpaid upon any partly paid Shares held by him, and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate (not exceeding without the sanction of an Ordinary Resolution, eight percent per annum) as may be agreed upon between the Shareholder paying the sum in advance and the Directors.

FORFEITURE OF SHARES

33. If a Shareholder fails to pay any call or instalment of a call in respect of any Shares on the day appointed for payment, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.



34. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the Shares in respect of which the call was made will be liable to be forfeited.
35. If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by notice has been made, be forfeited by a resolution of the Directors to that effect.
36. A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.
37. A Person whose Shares have been forfeited shall cease to be a Shareholder in respect of the forfeited Shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the Shares forfeited, but his liability shall cease if and when the Company receives payment in full of the amount unpaid on the Shares forfeited.
38. A statutory declaration in writing that the declarant is a Director, and that a Share has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts in the declaration as against all Persons claiming to be entitled to the Share.
39. The Company may receive the consideration, if any, given for a Share on any sale or disposition thereof pursuant to the provisions of these Articles as to forfeiture and may execute a transfer of the Share in favour of the Person to whom the Share is sold or disposed of and that Person shall be registered as the holder of the Share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the disposition or sale.
40. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes due and payable, whether on account of the amount of the Share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

TRANSFER OF SHARES

41. Subject to these Articles and the rules or regulations of the Designated Stock Exchange or any relevant securities laws, any Member may transfer all or any Shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the Directors and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time.
42. The instrument of transfer of any Share shall be executed by or on behalf of the transferor and if in respect of a nil or partly paid up Share, or if so required by the Directors, shall also be executed on behalf of the transferee and shall be accompanied by the certificate (if any) of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a Shareholder until the name of the transferee is entered in the Register in respect of the relevant Shares.



43. Subject to the rules of any Designated Stock Exchange on which the Shares in question may be listed and to any rights and restrictions for the time being attached to any Share, the Directors may in their absolute discretion decline to register any transfer of Shares without assigning any reason therefor. If the Directors refuse to register a transfer of any Share the Secretary shall, within two months after the date on which the transfer request was lodged with the Company, send to the transferor and transferee notice of the refusal.
44. Subject to the provisions of these Articles and rules of any Designated Stock Exchange on which the shares in question may be listed and to any rights and restrictions for the time being attached to any Share, the registration of transfers may be suspended and the Register closed at such times and for such periods as the Directors may from time to time determine.
45. All instruments of transfer that are registered shall be retained by the Company, but any instrument of transfer that the Directors decline to register shall (except in any case of fraud) be returned to the Person depositing the same.
46. The remaining provisions of these Articles notwithstanding, the Deferred Shares are not transferable.

TRANSMISSION OF SHARES

47. The legal personal representative of a deceased sole holder of a Share shall be the only Person recognised by the Company as having any title to the Share. In the case of a Share registered in the name of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased holder of the Share, shall be the only Person recognised by the Company as having any title to the Share.
48. Any Person becoming entitled to a Share in consequence of the death or bankruptcy of a Shareholder shall upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a Shareholder in respect of the Share or, instead of being registered himself, to make such transfer of the Share as the deceased or bankrupt Person could have made; but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the deceased or bankrupt Person before the death or bankruptcy.
49. A Person becoming entitled to a Share by reason of the death or bankruptcy of a Shareholder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered Shareholder, except that he shall not, before being registered as a Shareholder in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

ALTERATION OF SHARE CAPITAL

50. The Company may from time to time by Ordinary Resolution increase the share capital by such sum, to be divided into Shares of such Classes and amount, as the resolution shall prescribe.
51. The Company may by Ordinary Resolution:
- (a) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares;



- (b) convert all or any of its paid up Shares into stock and reconvert that stock into paid up Shares of any denomination;
- (c) subdivide its existing Shares, or any of them into Shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; and
- (d) cancel any Shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any Person and diminish the amount of its share capital by the amount of the Shares so cancelled.

52. The Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorised by law.

REDEMPTION, PURCHASE AND SURRENDER OF SHARES

53. Subject to the Companies Law, the Company may:

- (a) issue Shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Company or the Shareholder on such terms and in such manner as the Directors may determine;
- (b) purchase its own Shares (including any redeemable Shares) on such terms and in such manner as the Directors may determine and agree with the Shareholder;
- (c) make a payment in respect of the redemption or purchase of its own Shares in any manner authorised by the Companies Law, including out of its capital; and
- (d) accept the surrender for no consideration of any paid up Share (including any redeemable Share) on such terms and in such manner as the Directors may determine.

54. Any Share in respect of which notice of redemption has been given shall not be entitled to participate in the profits of the Company in respect of the period after the date specified as the date of redemption in the notice of redemption.

55. The redemption, purchase or surrender of any Share shall not be deemed to give rise to the redemption, purchase or surrender of any other Share.

56. The Directors may when making payments in respect of redemption or purchase of Shares, if authorised by the terms of issue of the Shares being redeemed or purchased or with the agreement of the holder of such Shares, make such payment either in cash or in specie including, without limitation, interests in a special purpose vehicle holding assets of the Company or holding entitlement to the proceeds of assets held by the Company or in a liquidating structure.

TREASURY SHARES

57. Shares that the Company purchases, redeems or acquires (by way of surrender or otherwise) may, at the option of the Company, be cancelled immediately or held as Treasury Shares in accordance with the Companies Law. In the event that the Directors do not specify that the relevant Shares are to be held as Treasury Shares, such Shares shall be cancelled.



58. No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be declared or paid in respect of a Treasury Share.
59. The Company shall be entered in the Register as the holder of the Treasury Shares provided that:
- (a) the Company shall not be treated as a member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void;
 - (b) a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of these Articles or the Companies Law, save that an allotment of Shares as fully paid bonus shares in respect of a Treasury Share is permitted and Shares allotted as fully paid bonus shares in respect of a treasury share shall be treated as Treasury Shares.
60. Treasury Shares may be disposed of by the Company on such terms and conditions as determined by the Directors.

GENERAL MEETINGS

61. The Directors may, whenever they think fit, convene a general meeting of the Company.
62. For so long as the Company's Shares are traded on a Designated Stock Exchange, the Company shall in each year hold a general meeting as its annual general meeting at such time and place as may be determined by the Directors.
63. The Directors may cancel or postpone any duly convened general meeting at any time prior to such meeting, except for general meetings requisitioned by the Shareholders in accordance with these Articles, for any reason or for no reason at any time prior to the time for holding such meeting or, if the meeting is adjourned, the time for holding such adjourned meeting. The Directors shall give Shareholders notice in writing of any cancellation or postponement. A postponement may be for a stated period of any length or indefinitely as the Directors may determine.
64. At any time following the Conversion date, general meetings shall also be convened on the requisition in writing of any Shareholder or Shareholders entitled to attend and vote at general meetings of the Company and to exercise at least a majority of the votes permitted to be exercised at any such meeting deposited at the Office specifying the objects of the meeting by notice given no later than 21 days from the date of deposit of the requisition signed by the requisitionists. If the Directors do not convene such general meeting for a date not later than 45 days after the date of such deposit, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene the general meeting shall be reimbursed to them by the Company.
65. If at any time there are no Directors, any two Shareholders (or if there is only one Shareholder then that Shareholder) entitled to vote at general meetings of the Company may convene a



general meeting in the same manner as nearly as possible as that in which general meetings may be convened by the Directors.

NOTICE OF GENERAL MEETINGS

66. At least twenty one (21) clear days' notice of a general meeting in writing counting from the date service is deemed to take place as provided in these Articles specifying the place, the day and the hour of the meeting and the general nature of the business, shall be given in the manner hereinafter provided or in such other manner (if any) as may be prescribed by the Company by Ordinary Resolution to such Persons as are, under these Articles, entitled to receive such notices from the Company, but with the consent of all the Shareholders entitled to receive notice of some particular meeting and attend and vote thereat, that meeting may be convened by such shorter notice or without notice and in such manner as those Shareholders may think fit.
67. The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Shareholder shall not invalidate the proceedings at any meeting.

PROCEEDINGS AT GENERAL MEETINGS

68. All business carried out at a general meeting shall be deemed special with the exception of sanctioning a dividend, the consideration of the accounts, balance sheets, any report of the Directors or of the Company's auditors, and the fixing of the remuneration of the Company's auditors. No special business shall be transacted at any general meeting without the consent of all Shareholders entitled to receive notice of that meeting unless notice of such special business has been given in the notice convening that meeting. In addition, no business may be transacted at any general meeting, other than business that is either specified in the notice of the meeting given by or at the direction of the Directors (or any duly authorised committee thereof) (including on the requisition of Shareholders in accordance with these Articles) or otherwise properly brought before an annual general meeting by or at the direction of the Directors (or any duly authorised committee thereof).
69. No business shall be transacted at any general meeting unless a quorum of Shareholders is present at the time when the meeting proceeds to business. Save as otherwise provided by these Articles:
- (a) at any time prior to the Conversion Date, one or more Shareholders, at least one of whom shall be a holder of Class B Shares, able to exercise at least one third (1/3rd) of the aggregate voting power permitted to be exercised at general meetings of the Company;
 - (b) at any time following the Conversion Date, one or more Shareholders able to exercise at least one third (1/3rd) of the aggregate voting power permitted to be exercised at general meetings of the Company,
- in each case present in person or by proxy and entitled to vote at that meeting shall form a quorum.
70. At any time following the Conversion Date:
- (a) if within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved; and



- (b) in any other case it shall stand adjourned to the same day in the next week, at the same time and place, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the Shareholder or Shareholders present and entitled to vote shall form a quorum.

71. If the Directors wish to make this facility available for a specific general meeting or all general meetings of the Company, participation in any general meeting of the Company may be by means of a telephone or similar communication equipment by way of which all Persons participating in such meeting can communicate with each other and such participation shall be deemed to constitute presence in person at the meeting.
72. A chairman, if any, of the board of Directors from time to time shall preside as chairman at every general meeting of the Company.
73. If there is no such chairman, or if at any general meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman, any Director or Person nominated by the Directors shall preside as chairman, failing which the Shareholders present in person or by proxy shall choose any Person present to be chairman of that meeting.
74. The chairman of the general meeting may adjourn a meeting from time to time and from place to place either:
- (a) with the consent of any general meeting at which a quorum is present (and shall if so directed by the meeting); or
 - (b) without the consent of such meeting if, in his sole opinion, he considers it necessary to do so to:
 - (i) secure the orderly conduct or proceedings of the meeting; or
 - (ii) give all persons present in person or by proxy and having the right to speak and / or vote at such meeting, the ability to do so,

but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting, or adjourned meeting, is adjourned for fourteen days or more, notice of the adjourned meeting shall be given in the manner provided for the original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

75. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman or one or more Shareholders present in person or by proxy entitled to vote, and unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.



76. Following the Conversion Date, at any annual general meeting where a resolution for the election of directors is proposed in accordance with these Articles, a plurality of the votes cast shall be sufficient to elect a Director.
77. If a poll is duly demanded it shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
78. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall not be entitled to a second or casting vote.
79. A poll demanded at a meeting shall be taken forthwith.

VOTES OF SHAREHOLDERS

80. In each case subject to any rights and restrictions for the time being attached to any Share including for the avoidance of doubt the voting rights applicable to the Class B Shares, on a show of hands every Shareholder present in person and every Person representing a Shareholder by proxy shall, at a general meeting of the Company, each have one vote and on a poll every Shareholder and every Person representing a Shareholder by proxy shall have one vote for each Share of which he or the Person represented by proxy is the holder.
81. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register.
82. A Shareholder of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote in respect of Shares carrying the right to vote held by him, whether on a show of hands or on a poll, by his committee, or other Person in the nature of a committee appointed by that court, and any such committee or other Person, may vote in respect of such Shares by proxy.
83. No Shareholder shall be entitled to vote at any general meeting of the Company unless all calls, if any, or other sums presently payable by him in respect of Shares carrying the right to vote held by him have been paid.
84. On a poll votes may be given either personally or by proxy.
85. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an Officer or attorney duly authorised. A proxy need not be a Shareholder.
86. An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve.
87. The instrument appointing a proxy shall be deposited at the Office or at such other place as is specified for that purpose in the notice convening the meeting no later than the time for holding the meeting or, if the meeting is adjourned, the time for holding such adjourned meeting.



88. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
89. A resolution in writing signed by all the Shareholders for the time being entitled to receive notice of and to attend and vote at general meetings of the Company (or being corporations by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS

90. Any corporation which is a Shareholder or a Director may by resolution of its directors or other governing body authorise such Person as it thinks fit to act as its representative at any meeting of the Company or of any meeting of holders of a Class or of the Directors or of a committee of Directors, and the Person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Shareholder or Director.

CLEARING HOUSES

91. If a clearing house (or its nominee) is a Member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its representative or representatives at any general meeting of the Company or at any general meeting of any class of Members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such person is so authorised. A person so authorised pursuant to this Article shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual Member holding the number and Class of Shares specified in such authorisation.

DIRECTORS

92. The name(s) of the first Director(s) shall either be determined in writing by a majority (or in the case of a sole subscriber that subscriber) of, or elected at a meeting of, the subscribers of the Memorandum of Association.
93. The Company may by Ordinary Resolution from time to time fix the maximum and minimum number of Directors to be appointed but unless such numbers are fixed as aforesaid the minimum number of Directors shall be one and the maximum number of Directors shall be unlimited.
94. At any time prior to the Conversion Date, the Company may by Ordinary Resolution appoint any Person to be a Director.
95. At any time following the Conversion Date:
- (a) the chairman of the board of Directors shall divide the Directors then in office into three (3) classes designated as Class I, Class II and Class III, respectively, and:
 - (i) at the first annual general meeting of Members following the Conversion Date, the term of office of the Class I Directors shall expire and Class I Directors appointed at such meeting shall be elected for a full term of three (3) years;



- (ii) at the second annual general meeting of Members following the Conversion Date, the term of office of the Class II Directors shall expire and Class II Directors appointed at such meeting shall be elected for a full term of three (3) years;
- (iii) at the third annual general meeting of Members following the Conversion Date, the term of office of the Class III Directors shall expire and Class III Directors at such meeting appointed shall be elected for a full term of three (3) years;
- (iv) at each succeeding annual general meeting of Members, Directors shall be elected for a full term of three (3) years to succeed the Directors of the class whose terms expire at such annual general meeting.

Notwithstanding the foregoing provisions of this Article 95(a), each Director shall hold office until the expiration of his term, until his successor shall have been duly elected and qualified or until his earlier death, resignation or removal. No decrease in the number of Directors constituting the board of Directors shall shorten the term of any incumbent Director. Following the Conversion Date and initial designation by the chairman of the board of Directors of each Director then in office into Classes each Director subsequently appointed shall be assigned to each class in accordance with a resolution or resolutions adopted by the board of Directors.

- (b) At any election for Directors at any annual general meeting of the Company, the Directors shall be elected by a plurality of the votes cast.
- (c) For a nomination for election of a Director to be made by a Member of the Company at an annual general meeting, such Member must:
 - (i) be a Member of record on both:
 - (A) the date of the giving of the notice by such Member provided for in this Article; and
 - (B) the record date for the determination of Members entitled to vote at such annual general meeting, and on each such date beneficially own more than 30% of the issued Shares; and
 - (ii) have given timely notice thereof in proper written form to the Secretary of the Company. To be timely for the purposes of this Article 95(c) the Member's notice shall be delivered to or mailed and received at the principal executive offices of the Company not less than ninety (90) nor more than one hundred twenty (120) days prior to the meeting; provided, however, that in the event less than one hundred and thirty (130) days' notice or prior public disclosure of the date of the meeting is given or made to Members, notice by the Member to be timely must be so received not later than the close of business on the tenth (10th) day following the earlier of the day on which such notice of the date of the meeting was mailed or such public disclosure was made. To be in proper written form for purposes of this Article 95(c), a Member's notice to the Secretary must be set forth as to each person whom the Member proposes to nominate for election as a director all information relating to such person that is required to be disclosed pursuant to any applicable law and rules of the



Designated Stock Exchange. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a Director if elected.

- 96. The remuneration of the Directors may be determined by the Directors.
- 97. There shall be no shareholding qualification for Directors.
- 98. The Directors shall have power at any time and from time to time, by resolution of the Directors, to appoint any Person to be a Director, either as a result of a casual vacancy or as an additional Director, subject to the maximum number (if any) imposed by Ordinary Resolution.

ALTERNATE DIRECTOR; OBSERVER

- 99. With the prior consent of the Board of Directors, any Director may in writing appoint another Person to be his alternate. Save to the extent provided otherwise in the form of appointment, any alternate so appointed shall have authority to sign written resolutions on behalf of the appointing Director, but shall not be authorised to sign such written resolutions where they have been signed by the appointing Director, and to act in such Director's place at any meeting of the Directors. Every such alternate shall be entitled to attend and vote at meetings of the Directors as the alternate of the Director appointing him and where he is a Director to have a separate vote in addition to his own vote. A Director may at any time in writing revoke the appointment of an alternate appointed by him. Such alternate shall not be an Officer solely as a result of his appointment as an alternate other than in respect of such times as the alternate acts as a Director. The remuneration of such alternate shall be payable out of the remuneration of the Director appointing him and the proportion thereof shall be agreed between them.
- 100. With the prior consent of the Board of Directors, any Director may in writing appoint another Person to be an observer. Any observer so appointed shall be entitled to any meeting of the Directors, but shall not be counted towards a quorum, shall not be entitled to act in the place of any Director appointing him and shall not be entitled to vote in respect of any matter before the meeting. A Director may at any time in writing revoke the appointment of an observer appointed by him. Such observer shall not be an Officer solely as a result of his appointment as an observer. The remuneration of such observer shall be payable out of the remuneration of the Director appointing him and the proportion thereof shall be agreed between them.

POWERS AND DUTIES OF DIRECTORS

- 101. Subject to the Companies Law, these Articles and to any resolutions passed in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution passed by the Company in general meeting shall invalidate any prior act of the Directors that would have been valid if that resolution had not been passed.
- 102. The Directors may from time to time appoint any Person, whether or not a Director to hold such office in the Company as the Directors may think necessary for the administration of the Company, including but not limited to, the office of president, one or more vice-presidents, treasurer, assistant treasurer, manager or controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. Any Person so appointed by the Directors may be removed by the Directors or by the Company by Ordinary



Resolution. The Directors may also appoint one or more of their number to the office of managing director upon like terms, but any such appointment shall ipso facto terminate if any managing director ceases from any cause to be a Director, or if the Company by Ordinary Resolution resolves that his tenure of office be terminated.

103. The Directors may appoint any Person to be a Secretary (and if need be an assistant Secretary or assistant Secretaries) who shall hold office for such term, at such remuneration and upon such conditions and with such powers as they think fit. Any Secretary or assistant Secretary so appointed by the Directors may be removed by the Directors or by the Company by Ordinary Resolution.
104. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.
105. The Directors may from time to time and at any time by power of attorney (whether under Seal or under hand) or otherwise appoint any company, firm or Person or body of Persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys or authorised signatory (any such person being an “**Attorney**” or “**Authorised Signatory**”, respectively) of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of Persons dealing with any such Attorney or Authorised Signatory as the Directors may think fit, and may also authorise any such Attorney or Authorised Signatory to delegate all or any of the powers, authorities and discretion vested in him.
106. The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the three next following Articles shall not limit the general powers conferred by this Article.
107. The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any Person to be a member of such committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any such Person.
108. The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such local board, or any of them to fill any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any Person so appointed and may annul or vary any such delegation, but no Person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
109. Any such delegates as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities, and discretion for the time being vested in them.
110. The Directors may agree with a Shareholder to waive or modify the terms applicable to such Shareholder’s subscription for Shares without obtaining the consent of any other Shareholder;



provided that such waiver or modification does not amount to a variation or abrogation of the rights attaching to the Shares of such other Shareholders.

BORROWING POWERS OF DIRECTORS

111. Subject to the remaining provisions of these Articles, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, or to otherwise provide for a security interest to be taken in such undertaking, property or uncalled capital, and to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

THE SEAL

112. The Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of a Director or a Secretary (or an assistant Secretary) or in the presence of any one or more Persons as the Directors may appoint for the purpose and every Person as aforesaid shall sign every instrument to which the Seal is so affixed in their presence.
113. The Company may maintain a facsimile of the Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such Person or Persons as the Directors shall for this purpose appoint and such Person or Persons as aforesaid shall sign every instrument to which the facsimile Seal is so affixed in their presence and such affixing of the facsimile Seal and signing as aforesaid shall have the same meaning and effect as if the Seal had been affixed in the presence of and the instrument signed by a Director or a Secretary (or an assistant Secretary) or in the presence of any one or more Persons as the Directors may appoint for the purpose.
114. Notwithstanding the foregoing, a Secretary or any assistant Secretary shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

DISQUALIFICATION OF DIRECTORS

115. The office of Director shall be vacated, if the Director:
- (a) becomes bankrupt or makes any arrangement or composition with his creditors;
 - (b) dies or is found to be or becomes of unsound mind;
 - (c) resigns his office by notice in writing to the Company;
 - (d) at any time prior to the Conversion Date, is removed from office by Ordinary Resolution;



- (e) at any time following the Conversion Date, in accordance with the provisions of Article 95, or by Special Resolution;
- (f) is removed from office by notice addressed to him at his last known address and signed by all of his co-Directors (including the Founder for so long as he is a Director); or
- (g) is removed from office pursuant to any other provision of these Articles.

PROCEEDINGS OF DIRECTORS

116. The Directors may meet together (either within or outside the Cayman Islands) for the despatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. Except as otherwise provided by these Articles, questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the chairman shall not have a second or casting vote. A Director (other than a Recused Director) may, and a Secretary or assistant Secretary on the requisition of a Director (other than a Recused Director) shall, at any time summon a meeting of the Directors.
117. Notwithstanding the foregoing, any by the Board of Directors of any authority in respect of:
- (a) the exercise by the Board of any authority under Article 9;
 - (b) the issuance and/or allotment of any Relevant Securities;
 - (c) the appointment of any Person as a Director of the Company pursuant to the provisions of Article 98;
 - (d) the approval of any alternate or observer pursuant to Article 99 or Article 100,
- shall be required to include the affirmative approval of the Founder, in each case for so long as he is a Director.
118. A Director may participate in any meeting of the Directors, or of any committee appointed by the Directors of which such Director is a member, by means of telephone or similar communication equipment by way of which all Persons participating in such meeting can communicate with each other and such participation shall be deemed to constitute presence in person at the meeting.
119. The quorum necessary for the transaction of the business of the Directors shall be a majority of the Directors then appointed (excluding for these purposes any Recused Director(s)) which shall be required to include the Founder for so long as he is a Director and not a Recused Director. A Director represented by an alternate Director at any meeting shall be deemed to be present for the purposes of determining whether or not a quorum is present.
120. A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he is to be regarded as interested in any contract or other arrangement which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made. Subject to a Director not being designated as a Recused Director, a Director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be



interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.

121. If the majority of the Directors, in their discretion, determine that there is a conflict of any Director (or their affiliates) with the general business of the Company (for the avoidance of doubt not necessarily with the business that is being considered by the board of Directors), then that Director may be designated by resolution of a majority of the Directors as a “**Recused Director**”. A Recused Director: (i) shall cease to be entitled to receive notice of, attend and vote at any meetings of Directors or be required to execute written resolutions of the Directors; and (ii) shall not be entitled to receipt of any information from the Company in each case until such time as it is deemed by a majority of the Directors, that the Recused Director shall no longer be designated as a Recused Director.
122. Without limitation to the preceding Article, in the event that any Director or other Person with access to the Company’s confidential information has a direct or indirect conflict, the board of Directors may determine, acting in good faith, that access to such information shall be restricted or such information shall be redacted prior to its provision to the relevant Director or other Person.
123. A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting of the Directors whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.
124. Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.
125. The Directors shall cause minutes to be made in books or loose-leaf folders provided for the purpose of recording:
- (a) all appointments of Officers made by the Directors;
 - (b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and
 - (c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.



126. When the chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held notwithstanding that all the Directors have not actually come together or that there may have been a technical defect in the proceedings.
127. A resolution in writing signed by all the Directors or all the members of a committee of Directors entitled to receive notice of a meeting of Directors or committee of Directors (which for the avoidance of doubt shall exclude any Recused Director), as the case may be (an alternate Director, subject as provided otherwise in the terms of appointment of the alternate Director, being entitled to sign such a resolution on behalf of his appointer), shall be as valid and effectual as if it had been passed at a duly called and constituted meeting of Directors or committee of Directors, as the case may be. When signed a resolution may consist of several documents each signed by one or more of the Directors or his duly appointed alternate.
128. The continuing Directors may act notwithstanding any vacancy in their body but if and for so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number, or of summoning a general meeting of the Company, but for no other purpose.
129. The Directors may elect a chairman of their meetings and determine the period for which he is to hold office but if no such chairman is elected, or if at any meeting the chairman is not present within fifteen minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be chairman of the meeting.
130. Subject to any regulations imposed on it by the Directors, a committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within fifteen minutes after the time appointed for holding the meeting, the committee members present may choose one of their number to be chairman of the meeting.
131. A committee appointed by the Directors may meet and adjourn as it thinks proper. Subject to any regulations imposed on it by the Directors, questions arising at any meeting shall be determined by a majority of votes of the committee members present and in case of an equality of votes the chairman shall not have a second or casting vote.
132. All acts done by any meeting of the Directors or of a committee of Directors, or by any Person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or Person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such Person had been duly appointed and was qualified to be a Director.

DIVIDENDS

133. Subject to any rights and restrictions for the time being attached to any Shares, or as otherwise provided for in the Companies Law and these Articles, the Directors may from time to time declare dividends (including interim dividends) and other distributions on Shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor.
134. Subject to any rights and restrictions for the time being attached to any Shares, the Company by Ordinary Resolution may declare dividends, but no dividend shall exceed the amount recommended by the Directors.



135. The Directors may determine, before recommending or declaring any dividend, to set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds may be properly applied and pending such application may, at the determination of the Directors, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit.
136. Any dividend may be paid in any manner as the Directors may determine. If paid by cheque it will be sent through the post to the registered address of the Shareholder or Person entitled thereto, or in the case of joint holders, to any one of such joint holders at his registered address or to such Person and such address as the Shareholder or Person entitled, or such joint holders as the case may be, may direct. Every such cheque shall be made payable to the order of the Person to whom it is sent or to the order of such other Person as the Shareholder or Person entitled, or such joint holders as the case may be, may direct.
137. The Directors when paying dividends to the Shareholders in accordance with the foregoing provisions of these Articles may make such payment either in cash or in specie and may determine the extent to which amounts may be withheld therefrom (including, without limitation, any taxes, fees, expenses or other liabilities for which a Shareholder (or the Company, as a result of any action or inaction of the Shareholder) is liable).
138. Subject to any rights and restrictions for the time being attached to any Shares, all dividends shall be declared and paid according to the amounts paid up on the Shares, but if and for so long as nothing is paid up on any of the Shares dividends may be declared and paid according to the par value of the Shares.
139. If several Persons are registered as joint holders of any Share, any of them may give effectual receipts for any dividend or other moneys payable on or in respect of the Share.
140. No dividend shall bear interest against the Company.

ACCOUNTS, AUDIT AND ANNUAL RETURN AND DECLARATION

141. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.
142. The books of account shall be kept at the Office, or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.
143. The Directors may from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Shareholders not being Directors, and no Shareholder (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorised by the Directors or by Ordinary Resolution.
144. The accounts relating to the Company's affairs shall only be audited if the Directors so determine, in which case the financial year end and the accounting principles will be determined by the Directors.



145. The Directors in each year shall prepare, or cause to be prepared, an annual return and declaration setting forth the particulars required by the Companies Law and deliver a copy thereof to the Registrar of Companies in the Cayman Islands.

CAPITALISATION OF RESERVES

146. Subject to the Companies Law and these Articles, the Directors may:

- (a) resolve to capitalise an amount standing to the credit of reserves (including a Share Premium Account, capital redemption reserve and profit and loss account), whether or not available for distribution;
- (b) appropriate the sum resolved to be capitalised to the Shareholders in proportion to the nominal amount of Shares (whether or not fully paid) held by them respectively and apply that sum on their behalf in or towards:
 - (i) paying up the amounts (if any) for the time being unpaid on Shares held by them respectively, or
 - (ii) paying up in full unissued Shares or debentures of a nominal amount equal to that sum,and allot the Shares or debentures, credited as fully paid, to the Shareholders (or as they may direct) in those proportions, or partly in one way and partly in the other, but the Share Premium Account, the capital redemption reserve and profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued Shares to be allotted to Shareholders credited as fully paid;
- (c) make any arrangements they think fit to resolve a difficulty arising in the distribution of a capitalised reserve and in particular, without limitation, where Shares or debentures become distributable in fractions the Directors may deal with the fractions as they think fit;
- (d) authorise a Person to enter (on behalf of all the Shareholders concerned) into an agreement with the Company providing for either:
 - (i) the allotment to the Shareholders respectively, credited as fully paid, of Shares or debentures to which they may be entitled on the capitalisation, or
 - (ii) the payment by the Company on behalf of the Shareholders (by the application of their respective proportions of the reserves resolved to be capitalised) of the amounts or part of the amounts remaining unpaid on their existing Shares,and any such agreement made under this authority being effective and binding on all those Shareholders; and
- (e) generally do all acts and things required to give effect to any of the actions contemplated by this Article.



SHARE PREMIUM ACCOUNT

147. The Directors shall in accordance with the Companies Law establish a Share Premium Account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any Share.
148. There shall be debited to any Share Premium Account on the redemption or purchase of a Share the difference between the nominal value of such Share and the redemption or purchase price provided always that at the determination of the Directors such sum may be paid out of the profits of the Company or, if permitted by the Companies Law, out of capital.

NOTICES

149. Any notice or document may be served by the Company or by the Person entitled to give notice to any Shareholder either personally, or by posting it airmail or air courier service in a prepaid letter addressed to such Shareholder at his address as appearing in the Register, or by electronic mail to any electronic mail address such Shareholder may have specified in writing for the purpose of such service of notices, or by facsimile should the Directors deem it appropriate. In the case of joint holders of a Share, all notices shall be given to that one of the joint holders whose name stands first in the Register in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.
150. Any Shareholder present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.
151. Any notice or other document, if served by:
- (a) post, shall be deemed to have been served five clear days after the time when the letter containing the same is posted;
 - (b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the facsimile number of the recipient;
 - (c) recognised courier service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service; or
 - (d) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail.
- In proving service by post or courier service it shall be sufficient to prove that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier service.
152. Any notice or document delivered or sent in accordance with the terms of these Articles shall notwithstanding that such Shareholder be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any Share registered in the name of such Shareholder as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register as the holder of the Share, and such service shall for all purposes be deemed a sufficient service



of such notice or document on all Persons interested (whether jointly with or as claiming through or under him) in the Share.

153. Notice of every general meeting of the Company shall be given to:

- (a) all Shareholders holding Shares with the right to receive notice and who have supplied to the Company an address for the giving of notices to them; and
- (b) every Person entitled to a Share in consequence of the death or bankruptcy of a Shareholder, who but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other Person shall be entitled to receive notices of general meetings.

INDEMNITY

154. Every Director (including for the purposes of this Article any alternate Director appointed pursuant to the provisions of these Articles), Secretary, assistant Secretary, or other Officer (but not including the Company's auditors) and the personal representatives of the same (each an "**Indemnified Person**") shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such Indemnified Person, other than by reason of such Indemnified Person's own wilful misconduct or actual fraud as determined by a court of competent jurisdiction, in or about the conduct of the Company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such Indemnified Person in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere.

155. No Indemnified Person shall be liable:

- (a) for the acts, receipts, neglects, defaults or omissions of any other Director or Officer or agent of the Company; or
- (b) for any loss on account of defect of title to any property of the Company; or
- (c) on account of the insufficiency of any security in or upon which any money of the Company shall be invested; or
- (d) for any loss incurred through any bank, broker or other similar Person; or
- (e) for any loss occasioned by any negligence, default, breach of duty, breach of trust, error of judgement or oversight on such Indemnified Person's part; or
- (f) for any loss, damage or misfortune whatsoever which may happen in or arise from the execution or discharge of the duties, powers, authorities, or discretions of such Indemnified Person's office or in relation thereto,

unless the same shall happen through such Indemnified Person's own wilful misconduct or actual fraud as determined by a court of competent jurisdiction.



NON-RECOGNITION OF TRUSTS

156. Subject to the proviso hereto, no Person shall be recognised by the Company as holding any Share upon any trust and the Company shall not, unless required by law, be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or (except only as otherwise provided by these Articles or as the Companies Law requires) any other right in respect of any Share except an absolute right to the entirety thereof in each Shareholder registered in the Register, provided that, notwithstanding the foregoing, the Company shall be entitled to recognise any such interests as shall be determined by the Directors.

WINDING UP

157. If the Company shall be wound up the liquidator shall apply the assets of the Company in such manner and order as he thinks fit in satisfaction of creditors' claims.
158. On a return of assets on a liquidation, dissolution, winding-up, reduction of capital or otherwise, the surplus assets of the Company remaining after payment of its liabilities shall be distributed in the following order of priority:
- (a) first, the holders of Class A Shares and Class B Shares shall be entitled to receive in respect of their Class A Shares and Class B Shares an aggregate amount equal to the par value there on a *pari passu* basis *pro rata* to their respective entitlements under this Article;
 - (b) second, the holders of Deferred Shares, if any, shall be entitled to receive in respect of their Deferred Shares an aggregate amount of US\$0.01 for the entire class of Deferred Shares (which payment shall be deemed satisfied by payment to any one holder of Deferred Shares); and
 - (c) thereafter, any balance of such remaining assets shall be distributed on a *pari passu* basis among the holders of the Class A Shares and Class B Shares *pro rata* based on such holders' respective holdings of Class A Shares and Class B Shares.
159. If the Company shall be wound up, the liquidator may, with the sanction of an Ordinary Resolution divide amongst the Shareholders in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different Classes. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Shareholders as the liquidator, with the like sanction shall think fit, but so that no Shareholder shall be compelled to accept any assets whereon there is any liability.

AMENDMENT OF ARTICLES OF ASSOCIATION

160. Subject to the Companies Law and the rights attaching to the various Classes, the Company may at any time and from time to time by Special Resolution alter or amend these Articles in whole or in part.



CLOSING OF REGISTER OR FIXING RECORD DATE

161. For the purpose of determining those Shareholders that are entitled to receive notice of, attend or vote at any meeting of Shareholders or any adjournment thereof, or those Shareholders that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Shareholder for any other purpose, the Directors may provide that the Register shall be closed for transfers for a stated period which shall not exceed in any case 40 days. If the Register shall be so closed for the purpose of determining those Shareholders that are entitled to receive notice of, attend or vote at a meeting of Shareholders the Register shall be so closed for at least ten days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register.
162. In lieu of or apart from closing the Register, the Directors may fix in advance a date as the record date for any such determination of those Shareholders that are entitled to receive notice of, attend or vote at a meeting of the Shareholders and for the purpose of determining those Shareholders that are entitled to receive payment of any dividend the Directors may, at or within 90 days prior to the date of declaration of such dividend, fix a subsequent date as the record date for such determination.
163. If the Register is not so closed and no record date is fixed for the determination of those Shareholders entitled to receive notice of, attend or vote at a meeting of Shareholders or those Shareholders that are entitled to receive payment of a dividend, the date on which notice of the meeting is posted or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Shareholders. When a determination of those Shareholders that are entitled to receive notice of, attend or vote at a meeting of Shareholders has been made as provided in this Article, such determination shall apply to any adjournment thereof.

REGISTRATION BY WAY OF CONTINUATION

164. The Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

MERGERS AND CONSOLIDATION

165. The Company may merge or consolidate in accordance with the Companies Law.
166. To the extent required by the Companies Law, the Company may by Special Resolution resolve to merge or consolidate the Company.

ASSET SALE

167. Any sale by the Company or its subsidiaries (together the “**Group**”) of all, or substantially all, of the assets of the Group shall require the prior approval of the Shareholders by Special Resolution and in addition the prior approval by the board of the Directors.



BUSINESS COMBINATIONS WITH INTERESTED SHAREHOLDERS

168. The Company shall not engage in any Business Combination with any Interested Shareholder for a period of three years following the time that such Shareholder became an Interested Shareholder, unless:
- (a) prior to such time, the board of Directors approved either the Business Combination or the transaction which resulted in the Shareholder becoming an Interested Shareholder;
 - (b) upon consummation of the transaction which resulted in the Shareholder becoming an Interested Shareholder, the Interested Shareholder Owned Shares conferring at least eighty five per cent. (85%) of the voting power permitted to be exercised at any general meeting of the Company at the time the transaction commenced, excluding for purposes of determining the voting power (but not the voting power conferred by Shares that are Owned by the Interested Shareholder), those Shares Owned (i) by Persons who are both Directors and officers of the Company; and (ii) employee share plans in which employee participants do not have the right to determine confidentially whether Shares held subject to the plan will be tendered in a tender or exchange offer;
 - (c) at or subsequent to such time the Business Combination is approved by the board of Directors and authorized at a general meeting of Shareholders by the affirmative vote of at least sixty six and two thirds per cent. (66²/₃%) of the voting power permitted to be exercised at any general meeting of the Company conferred on the holders of Shares that are not Owned by the Interested Shareholder;
 - (d) the Company does not have a class of voting Shares that is (i) listed on a Designated Stock Exchange or (ii) held of record by more than 2,000 Shareholders, unless any of the foregoing results from action taken, directly or indirectly, by an Interested Shareholder or from a transaction in which a Person becomes an Interested Shareholder;
 - (e) a Shareholder becomes an Interested Shareholder inadvertently and (i) as soon as practicable divests itself of Ownership of sufficient Shares so that the Shareholder ceases to be an Interested Shareholder and (ii) would not, at any time within the three-year period immediately prior to a Business Combination between the Company and such Shareholder, have been an Interested Shareholder but for the inadvertent acquisition of Ownership;
 - (f) the Business Combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required hereunder of a proposed transaction which: (i) constitutes one of the transactions described in the second sentence of this Article 168(f); (ii) is with or by a Person who either was not an Interested Shareholder during the previous three years or who became an Interested Shareholder with the approval of the board of Directors or during the period described in Article 168(g); and (iii) is approved or not opposed by a majority of the Directors then in office (but not less than one) who were Directors prior to any Person becoming an Interested Shareholder during the previous three years or were recommended for election or elected to succeed such Directors by a majority of such Directors. The proposed transactions referred to in the preceding sentence are limited to (x) a merger, consolidation or amalgamation of the Company (whether by scheme of arrangement or otherwise), (y) a sale, lease, exchange, mortgage, pledge, transfer or



other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of the Company or of any direct or indirect majority-Owned subsidiary of the Company (other than to any direct or indirect wholly Owned subsidiary or to the Company) having an aggregate market value equal to fifty per cent. (50%) or more of either that aggregate market value of all of the assets of the Company determined on a consolidated basis or the aggregate market value of all the issued Shares or (z) a proposed tender or exchange offer for Shares conferring fifty per cent. (50%) or more of the voting power permitted to be exercised at any general meeting of the Company. The Company shall give not less than twenty (20) days' notice to all Interested Shareholders prior to the consummation of any of the transactions described in clause (x) or (y) of the second sentence of this Article 168(f);

- (g) the Business Combination is with an Interested Shareholder who became an Interested Shareholder at a time when the restrictions contained in Article 168(f) did not apply by reason of Article 168(d);

As used in Article 164, the term:

- (a) **"Affiliate"** means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another Person.
- (b) **"Associate,"** when used to indicate a relationship with any Person, means (i) any corporation, partnership, unincorporated association or other entity of which such Person is a director, officer or partner or is, directly or indirectly, the Owner of twenty per cent. (20%) or more of any class of voting shares, (ii) any trust or other estate in which such Person has at least a twenty per cent. (20%) beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity and (iii) any relative or spouse of such Person, or any relative of such spouse, who has the same residence as such Person.
- (c) **"Business Combination,"** when used in reference to the Company and any Interested Shareholder of the Company, means:
- (i) any merger, consolidation, or amalgamation of the Company or any direct or indirect majority-Owned subsidiary of the Company (whether by scheme of arrangement or otherwise) with (1) the Interested Shareholder or (2) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the Interested Shareholder and as a result of such merger or consolidation Article 168 is not applicable to the surviving entity;
- (ii) any sale, lease, exchange, mortgage, charge, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a Shareholder, to or with the Interested Shareholder, whether as part of a liquidation, dissolution or otherwise, of assets of the Company or of any direct or indirect majority-Owned subsidiary of the Company which assets have an aggregate market value equal to ten per cent. (10%) or more of either the aggregate market value of all the assets of the Company determined



on a consolidated basis or the aggregate market value of all the shares then in issue;

- (iii) any transaction which results in the issuance or transfer by the Company or by any direct or indirect majority-Owned subsidiary of the Company of any shares or shares of such subsidiary to the Interested Shareholder, except (1) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares or the shares of a direct or indirect majority-Owned subsidiary of the Company which securities were in issue prior to the time that the Interested Shareholder became such; (2) pursuant to a Holding Company Merger; (3) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares or the shares of a direct or indirect majority-Owned subsidiary of the Company which security is distributed, pro rata, to all holders of a class or series of shares subsequent to the time the Interested Shareholder became such; (4) pursuant to an exchange offer by the Company to purchase shares made on the same terms to all holders of said shares; or (5) any issuance or transfer of shares by the Company; provided, however, that in no case under (3)-(5) above shall there be an increase in the Interested Shareholder's proportionate interest in the shares of any class or series or of the voting shares;
 - (iv) any transaction involving the Company or any direct or indirect majority-Owned subsidiary of the Company which has the effect, directly or indirectly, of increasing the proportionate interest of the shares of any class or series, or securities convertible into the shares of any class or series, or of the interest of the shares of any such subsidiary which is Owned by the Interested Shareholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares not caused, directly or indirectly, by the Interested Shareholder; or
 - (v) any receipt by the Interested Shareholder of the benefit, directly or indirectly (except proportionately as a Shareholder), of any loans, advances, guarantees, pledges or other financial benefits (other than those expressly permitted in subsections (i)-(iv) of this Article 1(c)) provided by or through the Company or any direct or indirect majority-Owned subsidiary of the Company.
- (d) **“control,”** including the terms “controlling,” “controlled by” and “under common control with,” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the Ownership of voting shares, by contract, or otherwise. A Person who is the Owner of Shares conferring twenty per cent. (20%) or more of the voting power permitted to be exercised at any general meeting of any corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such Person holds voting shares, in good faith and not for the purpose of circumventing this section, as an agent, bank, broker, nominee, custodian or trustee for one or more Owners who do not individually or as a group have control of such entity.



- (e) **“Interested Shareholder”** means any Person (other than the Company and any direct or indirect majority-Owned subsidiary of the Company) that (A) is the Owner of 15% or more of the issued voting Shares or (B) is an Affiliate or Associate of the Company and was the Owner of Shares conferring fifteen per cent. (15%) or more of the voting power permitted to be exercised at any general meeting of the Company at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such Person is an Interested Shareholder, and also the Affiliates and Associates of such Person, provided, however, that the term **“Interested Shareholder”** shall not include (i) any Person whose Ownership of issued voting Shares in excess of the fifteen per cent. (15%) limitation set forth herein is the result of action taken solely by the Company; provided that such Person shall be an Interested Shareholder if thereafter such Person acquires additional voting Shares, except as a result of further corporate action not caused, directly or indirectly, by such Person or (ii) any Person who Owned (including (a) with or through any investments funds managed by such Person or (b) when acting as a group or in concert for the purpose of acquiring, holding, voting or disposing of Shares with any other Person, its Affiliates, Associates or investments funds managed by such other Person) Shares conferring fifteen per cent. (15%) or more of the voting power permitted to be exercised at any general of the Company as of the date of the adoption of these Articles. For the purpose of determining whether a Person is an Interested Shareholder, the voting Shares deemed to be in issue shall include Shares deemed to be Owned by the Person but shall not include any other unissued Shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.
- (f) **“Owner”** including the terms **“Own,” “Owned”** and **“Ownership”** when used with respect to any shares means a Person that individually or with or through any of its Affiliates or Associates:
- (i) beneficially Owns such shares, directly or indirectly;
 - (ii) has (1) the right to acquire such shares (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Owner of shares tendered pursuant to a tender or exchange offer made by such Person or any of such Person’s Affiliates or Associates until such tendered shares is accepted for purchase or exchange; or (2) the right to vote such shares pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Owner of any shares because of such Person’s right to vote such shares if the agreement, arrangement or understanding to vote such shares arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to ten (10) or more Persons; or
 - (iii) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in Article 1(f)(ii)(2)), or disposing of such shares with any other Person that beneficially Owns, or whose Affiliates or Associates beneficially Own, directly or indirectly, such shares.



- (g) “**voting shares**” means, with respect to the Company (in which case, the “voting Shares”) or any other corporation, shares or stock of any class or series which entitles the holder to vote generally in the election of directors and, with respect to any other entity that is not a corporation, any equity interest which entitles the holder to vote generally in the election of the governing body of such entity.

DISCLOSURE

169. The Directors, or any authorised service providers (including the Officers, the Secretary and the registered office agent of the Company), shall be entitled to disclose to any regulatory or judicial authority, or to any stock exchange on which the Shares may from time to time be listed, any information regarding the affairs of the Company including, without limitation, information contained in the Register and books of the Company.



DESCRIPTION OF SHARE CAPITAL AND ARTICLES OF ASSOCIATION

The following is a description of the material terms of our amended and restated memorandum and articles of Association (the “Articles”) which became effective in connection with our initial public offering (the “IPO”). The following description is a summary and should be read in conjunction with our Articles, which have been publicly filed with the Securities and Exchange Commission (“SEC”).

General

We are a Cayman Islands exempted company with limited liability. Our affairs are governed by our Articles and the Companies Law of the Cayman Islands, as amended and restated from time to time (the “Companies Law”).

Our objects are unrestricted and section 3 of our memorandum of association provides that we shall have full power and authority to carry out any object not prohibited by any law.

Our register of shareholders is maintained by Computershare Trust Company, N.A.

Ordinary Shares

General

All of our issued and outstanding ordinary shares are fully paid and non-assessable. Certificates representing our issued and outstanding ordinary shares are generally not issued and legal title to our issued shares is recorded in registered form in the register of members. Holders of our ordinary shares have no preemptive, subscription, redemption or, other than our Class B ordinary shares, conversion rights.

Our Board may provide for other classes of shares, including classes of preferred shares, out of our authorized but unissued share capital, which could be utilized for a variety of corporate purposes, including future offerings to raise capital for corporate purposes or for use in employee benefit plans. Such additional classes of shares shall have such rights, restrictions, preferences, privileges and payment obligations as determined by our Board. If we issue any preferred shares, the rights, preferences and privileges of holders of our ordinary shares will be subject to, and may be adversely affected by, the rights of the holders of such preferred shares. See “—Variation of Rights.”

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our Board subject to the Companies Law and our Articles. Dividends and other distributions on issued and outstanding ordinary shares may be paid out of the funds of the Company lawfully available for such purpose, subject to any preference of any outstanding preferred shares. Dividends and other distributions will be distributed among the holders of our ordinary shares on a pro rata basis.

Voting Rights

Each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to 20 votes on all matters upon which the ordinary shares are entitled to vote. Voting at any shareholders’ meeting is by show of hands, unless voting by way of poll is demanded by the Chairman of the meeting or any shareholder present or voting by proxy.

A quorum required for a meeting of shareholders consists of holders with at least one third of the votes eligible to be cast at any such general meeting of the Company. In addition, for so long as the Class B ordinary shares are in issue, the presence of the holder of the Class B ordinary shares will be required in order to constitute a quorum.

A special resolution will be required for important matters such as a merger or consolidation of the Company, change of name or making changes to our Articles or the voluntary winding up of the Company.

The adoption of any ordinary resolution by our shareholders requires the affirmative vote of a simple majority of the votes permitted to be cast by persons present and voting at a general meeting at which a quorum is present, while a special resolution requires the affirmative vote of no less than two-thirds of the votes permitted to be cast by persons present and voting at any such meeting, or, in each case, a unanimous resolution in writing.

Conversion

Each Class B ordinary share is convertible into one Class A ordinary share at any time at the option of the holder of such Class B ordinary share. Each Class B ordinary share shall be automatically and immediately converted into one Class A ordinary share upon any transfer thereof to a person or entity that is not an affiliate of Mr. Neves. Further, our Class B ordinary shares will automatically convert into Class A ordinary shares upon the date when holders of all Class B ordinary shares hold less than, in the aggregate, 65% of the number of Class B ordinary shares that they held, in the aggregate, upon consummation of this offering, or on the death of Mr. Neves.

Variation of Rights

The rights attached to any class of shares (unless otherwise provided by the terms of issue of that class), such as voting, dividends and the like, may be varied only with the sanction of a resolution passed by not less than two-thirds of the votes attaching to the shares of the relevant class cast in a meeting of the holders of the shares of that class, or by the written consent of the holders of not less than two-thirds of the shares of that class. The rights conferred upon the holders of the shares of any class shall not (unless otherwise provided by the terms of issue of that class) be deemed to be varied by the creation or issue of further shares ranking in priority to or *pari passu* with such previously existing shares.

Transfer of Ordinary Shares and Notices

Any of our shareholders may transfer all or any of their ordinary shares by an instrument of transfer in the usual or common form or any other form prescribed by the stock exchange or approved by our Board, subject to the applicable restrictions of our Articles, such as the suspension of transfers for a period immediately preceding a general meeting, or the determination that a proposed transfer is not eligible.

If our directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may be suspended and the register closed at such times and for such periods as our Board may from time to time determine.

Certain transfers of Class B ordinary shares to non-affiliates of the holder of such Class B ordinary shares will also result in the conversion of such Class B ordinary shares to Class A ordinary shares. See “—Conversion” above.

Liquidation

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a *pro rata* basis.

Directors

Our management is vested in our Board. Our Articles provide that our Board must be composed of at least two members. Our Articles provide that questions arising at any meeting of directors shall be decided by a majority of votes or by unanimous written resolution of the Board. The affirmative vote of Mr. Neves, for as long as he is a director, is required in respect of certain resolutions for the issuance of further securities by us.

Directors can be appointed and removed and/or replaced by an ordinary resolution of the shareholders or by notice in writing to the Company from shareholders that are able to exercise a majority of the voting power of shareholders from time to time. 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.

The quorum necessary for any meeting of our Board shall consist of at least a majority of the members of our Board, which shall be required to include Mr. Neves for so long as he is a director.

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 the Board at the relevant time. At the first annual general meeting of shareholders following the conversion date, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual general meeting of shareholders following the conversion date, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual general meeting of shareholders following the conversion date, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual general meeting of shareholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual general meeting. At each annual general meeting, directors shall be elected by a plurality of votes cast.

Indemnity of Directors and Officers

Our Articles provide that our Board and officers shall be indemnified from and against all liability which they incur in execution of their duty in their respective offices, except liability incurred by reason of such director's or officer's dishonesty, willful default or fraud.

Differences in Corporate Law

Cayman Islands companies are governed by the Companies Law. The Companies Law is modeled on English law but does not follow recent English law statutory enactments, and differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of some significant differences between the provisions of the Companies Law applicable to us and, for comparison purposes, the laws applicable to companies incorporated in the State of Delaware and their stockholders.

Mergers and Similar Arrangements

The Companies Law allows for the merger of two or more companies into either one consolidated company or one or more company(ies) merged into another so as to form a single surviving company. The merger or consolidation of two or more companies under Cayman Islands law requires the directors of the companies to enter into and to approve a written plan of merger or consolidation, which must also be authorized by a special resolution of each constituent company, in which regard see "—Voting Rights" above, and such other authorization, if any, as may be specified in such companies' articles of association. In relation to any merger or consolidation under the Companies Law, dissenting shareholders have certain limited appraisal rights in circumstances which are similar to those available to dissenting stockholders of a Delaware corporation, providing rights to receive payment in cash for the judicially determined fair value of the shares. Appraisal rights are ordinarily available where the consideration offered under the merger is payable in cash or, in some instances, the unlisted securities of a third party.

The Companies Law also includes statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that such a scheme of arrangement is approved by shareholders or creditors who represent a majority in number and 75% in value of each such class of shareholders or creditors who attend and vote, either in person or by proxy, at a meeting or meetings convened for that purpose. The convening of meetings to consider any such scheme of arrangement, and the implementation of the scheme, must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the dual majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the classes properly delineated;
- the arrangement is such that a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

If a scheme of arrangement is thus approved, the dissenting shareholders would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting stockholders of a Delaware corporation.

When a tender offer to acquire shares is made and accepted (within four months) by holders of not less than 90% of the shares subject to such offer, the offeror may, within a two-month period following the expiration of the initial four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed unless there is evidence of fraud, bad faith, collusion or inequitable treatment of shareholders.

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 the 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. A person becomes "interested" where it and persons acting in concert with it or its affiliates acquire 15% of the issued ordinary shares. A "business combination" in this context includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested shareholder.

Our Articles also provide that a special resolution shall be required in order to effectuate a sale of all or substantially all of our assets.

Shareholders' Suits

We are not aware of any reported class action having been brought in a Cayman Islands court. Derivative actions have been brought in the Cayman Islands courts, and the Cayman Islands courts have confirmed the availability for such actions. In principle, the Company will normally be the proper plaintiff and a derivative action may not be brought by a shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when:

- a company acts or proposes to act illegally or ultra vires (beyond the scope of its authority);
- the act complained of, although not ultra vires, could be effected if duly authorized by a special resolution that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

Fiduciary Duties of Directors

Under Delaware General Corporation Law, a director of a Delaware corporation has a fiduciary duty to the corporation and its stockholders. This duty has two components, the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to stockholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director must act in a manner he or she reasonably believes to be in the best interests of the corporation. A director must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interests of the corporation and its stockholders take precedence over any interest possessed by a director, officer or controlling stockholders and not shared by the stockholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company: a duty to act in good faith and in what he considers to be in the best interests of the Company; a duty not to make a profit out of his position as director (unless the company permits him to do so); a duty to exercise his powers for the purposes for which they are conferred; and a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. A director will need to exhibit in the performance of his duties both the degree of skill than may reasonably be expected from a subjective perspective determined by reference to his knowledge and experience and the skill and care objectively to be expected from a person occupying office as a director of the Company.

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. If the majority of the Board determine that there is a conflict of any director (or their affiliates) with the general business of the Company, then they may determine to exclude from all further discussions of the Board and receipt of information such director until such time as it is deemed that the director is not 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.

Written Consent of Shareholders

Under Delaware General Corporation Law, unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of a corporation, or any action which may be taken at any annual or special meeting of stockholders of a corporation, may be taken without a meeting, without prior notice and without a vote, by written consent of the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all stockholders entitled to vote were present and voted. In addition, a corporation may eliminate the right of stockholders to act by written consent through amendment to its certificate of incorporation.

Cayman Islands law and our Articles provide that shareholders may approve matters requiring an ordinary resolution or a special resolution by way of unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under Delaware General Corporation Law, a stockholder has the right to put any proposal before the stockholders at the annual meeting, provided that such stockholder complies with the notice provisions in the governing documents. A special meeting may be called by the Board or any other person authorized to do so in the governing documents, but stockholders may be precluded from calling special meetings.

Under the laws of the Cayman Islands, a shareholder can only put a proposal before the shareholders at any general meeting in respect of any matter regarded as “special business” if it is set out in the notice calling the meeting. All business carried out at a general meeting shall be deemed special with the exception of sanctioning a dividend, the consideration of the accounts, balance sheets, any report of the directors or of the Company’s auditors and the fixing of the remuneration of the Company’s auditors. There is no right to introduce new business in respect of any matter requiring a special resolution at any meeting. In addition, our Articles do not allow shareholders to introduce any new business at the meeting scheduled by the Board. A general meeting may be called by the Board or any other person authorized to do so in our Articles, but shareholders may be precluded from calling general meetings. Under our Articles, following the conversion of the Class B ordinary shares, general meetings shall also be convened on the requisition in writing of any shareholder or shareholders entitled to attend and vote at general meetings of the company and to exercise at least a majority of the voting power permitted to be exercised at any such meeting, deposited at the office specifying the objects of the meeting for a date no later than 21 days from the date of deposit of the requisition signed by such shareholders, and if the directors do not convene such meeting for a date not later than 45 days after the date of such deposit, such shareholders themselves may convene the general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the directors, and all reasonable expenses incurred by such shareholders as a result of the failure of the directors to convene the general meeting shall be reimbursed to them by the Company. As an exempted Cayman Islands company, we are not obliged by law to call shareholders’ annual general meetings.

Under Delaware General Corporation Law, a corporation is required to set a minimum quorum of one-third of the shares entitled to vote at a stockholder meeting, except that, where a separate vote by a class or series or classes or series is required, a quorum shall consist of one-third of the shares of such class or series or classes of series. Cayman Islands law permits a company’s articles to have any quorum. See “—Ordinary Shares—Voting Rights.”

Cumulative Voting

Under Delaware corporate law, cumulative voting for elections of directors is not permitted unless the corporation’s certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority stockholders on a board of directors since it permits a minority stockholder to cast all the votes to which such stockholder is entitled on a single director, which increases such stockholder’s voting power with respect to electing such director.

There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands, but our Articles do not provide for cumulative voting. As a result, our shareholders are not afforded any less protection or fewer rights on this issue than stockholders of a Delaware corporation.

Election and Removal of Directors

Under Delaware General Corporation Law, unless otherwise specified in the certificate of incorporation or bylaws of a corporation, directors are elected by a plurality of the votes of the shares entitled to vote on the election of directors and may be removed with or without cause (or, with respect to a classified board, only with cause unless the certificate of incorporation provides otherwise) by the approval of a majority of the outstanding shares entitled to vote.

Similarly, as permitted by the Companies Law and pursuant to our Articles, directors can be appointed and removed and/or replaced by an ordinary resolution of the shareholders or by notice in writing to the Company from shareholders that are able to exercise a majority of the voting power of shareholders from time to time. In addition our Articles provide that 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 of directors by the affirmative vote of a simple majority of the directors present and voting at a board of director 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.

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 the board of directors at the relevant time, and directors will generally be elected to serve staggered three year terms. See “Ordinary Shares—Directors.”

Written Consent of Directors

Under Delaware General Corporation Law, a written consent of the directors must be unanimous to take effect. The position under our Articles is the same in this regard.

Indemnification of Directors and Executive Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company’s memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Articles provide that our Board and officers shall be indemnified from and against all liability which they incur in execution of their duty in their respective offices, except liability incurred by reason of such directors’ or officers’ dishonesty, willful default or fraud. This standard of conduct is generally the same as permitted under Delaware General Corporation Law.

Enforcement of Civil Liabilities

The Cayman Islands has a less developed body of securities laws as compared to the United States and provides less protection to investors. Additionally, Cayman Islands companies may not have standing to sue before the Federal courts of the United States. Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize a foreign judgment as the basis for a claim at common law in the Cayman Islands provided such judgment:

- is one in respect of which the foreign court had jurisdiction over the defendant according to Cayman Islands conflict of law rules;
- is final and conclusive;
- is either for a liquidated sum not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations or, in certain circumstances, for in personam non-money relief; and
- was neither obtained in a manner, nor is of a kind enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

As a result of English case law, which will likely be highly persuasive in the Cayman Islands, the Cayman Islands courts may also have discretion to enforce judgments obtained in foreign bankruptcy proceedings in other circumstances. A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are brought elsewhere.

Variation of Rights of Shares

Under Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise.

Under Cayman Islands law and our Articles, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class either with a resolution passed by not less than two-thirds of the votes attaching to the shares of the relevant class cast in a meeting of the holders of the shares of that class, or by the written consent of the holders of not less than two-thirds of the shares of that class.

Sale of Assets

Under Delaware General Corporation Law, a vote of the stockholders is required to approve a sale of assets only when all or substantially all assets are being sold to a person other than a subsidiary of the company.

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company. Our Articles provide that, following the conversion of the Class B ordinary shares, a special resolution shall be required in order to effectuate a sale of all or substantially all of the assets of the Company.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation or bylaws that is approved by its stockholders, it is prohibited from engaging in certain business combinations with an "interested stockholder" for three years following the date that such person becomes an interested stockholder. An interested stockholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 20% or more of the corporation's outstanding voting stock within the past three years.

This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all stockholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such stockholder becomes an interested stockholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested stockholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders. In addition, 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 (i) there is advance approval of the board of directors, (ii) the interested shareholder owns at least 85% of our voting shares at the time the business combination commences or (iii) 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. A person becomes "interested" where it and persons acting in concert with it or its affiliates acquire 15% of the issued ordinary shares. A "business combination" in this context includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested shareholder.

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by our Articles on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. As similarly provided under Delaware General Corporation Law, there are no restrictions on foreign or non-resident ownership or management of a Cayman Islands company under Cayman Islands law. In addition, there are no provisions in our Articles governing the ownership threshold above which shareholder ownership must be disclosed.

Dissolution and Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by stockholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with a dissolution initiated by the board of directors. Under the Companies Law of the Cayman Islands and our Articles, our company may be voluntarily wound up only by a special resolution of our shareholders, in which regard see "Ordinary Shares—Voting Rights" above. In addition, a company may be wound up by the Grand Court of the Cayman Islands if the company is unable to pay its debts or if the court is of the opinion that it is just and equitable that our company is wound up.

Inspection of Books and Records

Under Delaware General Corporation Law, any stockholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of stockholders and other books and records.

Our shareholders have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or corporate records except our Articles.

Amendment of Governing Documents

Under Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. As required by Cayman Islands law, our Articles may only be amended with the sanction of a special resolution of shareholders.

FARFETCH LIMITED

and

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Trustee

INDENTURE

Dated as of February 5, 2020

5.00% Convertible Senior Notes due 2025

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INDENTURE, dated as of February 5, 2020, between Farfetch Limited, a Cayman Islands exempted company with limited liability, as issuer (the “**Company**”), and Wilmington Trust, National Association, as trustee (the “**Trustee**”).

Each party to this Indenture (as defined below) agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders (as defined below) of the Company’s 5.00% Convertible Senior Notes due 2025 (the “**Notes**”).

Article 1. DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. DEFINITIONS.

“**Additional Interest**” means any interest that accrues on any Note pursuant to **Section 3.04**.

“**Affiliate**” has the meaning set forth in Rule 144 as in effect on the Issue Date.

“**Affiliated Party**” means, with respect to any natural person, (A) any trust for the benefit of the such natural person or any one or more members of such natural person’s immediate family; (B) any company, partnership, trust, foundation, Qualified Retirement Plan or other entity or investment vehicle for which such natural person (or such natural person’s estate) retains dispositive or voting power with respect to the Ordinary Shares or the Company’s Class B ordinary shares (or such other common equity of the Company into which the Company’s Class B ordinary shares have been converted into, or exchanged for, in an event analogous to a Share Change Event) held by such company, partnership, trust, foundation, plan or other entity or investment vehicle; and (C) the estates of such natural person (it being understood, for the avoidance of doubt, that this **clause (C)** will not cover any person to whom any securities are transferred from any such estate).

“**Authorized Denomination**” means, with respect to a Note, a principal amount thereof equal to \$1,000 or any integral multiple of \$1,000 in excess thereof.

“**Bankruptcy Law**” means Title 11, United States Code, or any similar U.S. federal or state or non-U.S. law for the relief of debtors.

“**Board of Directors**” means the board of directors of the Company or a committee of such board duly authorized to act on behalf of such board.

“**Business Day**” means any day other than a Saturday, a Sunday or any day on which the Federal Reserve Bank of New York is authorized or required by law or executive order to close or be closed, subject to **Sections 2.05(C)** and **5.03(C)**.

“**Capital Stock**” of any Person means any and all shares of, interests in, rights to purchase, warrants or options for, participations in, or other equivalents of, in each case however designated, the equity of such Person, but excluding any debt securities convertible into such equity.

“**Change in Tax Law**” means any change or amendment in the laws, rules or regulations of a Relevant Taxing Jurisdiction, or any change in an official written interpretation, administration or application of such laws, rules or regulations by any legislative body, court, governmental taxing authority or regulatory or administrative authority of such Relevant Taxing Jurisdiction (including the enactment of any legislation and the publication of any judicial decision or regulatory or administrative interpretation or determination) affecting taxation, which change or amendment (A) had not been theretofore publicly announced; and (B) becomes effective on or after February 5, 2020 (or, if the Relevant Taxing Jurisdiction was not a Relevant Taxing Jurisdiction on such date, the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction).

“**Close of Business**” means 5:00 p.m., New York City time.

“**Company**” means the Person named as such in the first paragraph of this Indenture and, subject to **Article 6**, its successors and assigns.

“**Company Order**” means a written request or order signed on behalf of the Company by one (1) of its Officers and delivered to the Trustee.

“**Conversion Date**” means, with respect to a Note, the first Business Day on which the requirements set forth in **Section 5.02(A)** to convert such Note are satisfied.

“**Conversion Price**” means, as of any time, an amount equal to (A) one thousand dollars (\$1,000) *divided by* (B) the Conversion Rate in effect at such time.

“**Conversion Rate**” initially means 81.63 Ordinary Shares per \$1,000 principal amount of Notes; *provided, however*, that the Conversion Rate is subject to adjustment pursuant to **Article 5**; *provided, further*, that whenever this Indenture refers to the Conversion Rate as of a particular date without setting forth a particular time on such date, such reference will be deemed to be to the Conversion Rate immediately after the Close of Business on such date.

“**Conversion Share**” means any Ordinary Share issued or issuable upon conversion of any Note.

“**Daily Cash Amount**” means, with respect to any VWAP Trading Day, the lesser of (A) the applicable Daily Maximum Cash Amount; and (B) the Daily Conversion Value for such VWAP Trading Day.

“**Daily Conversion Value**” means, with respect to any VWAP Trading Day, one-thirty-fifth (1/35th) of the product of (A) the Conversion Rate on such VWAP Trading Day; and (B) the Daily VWAP per Ordinary Share on such VWAP Trading Day.

“**Daily Maximum Cash Amount**” means, with respect to the conversion of any Note, the quotient obtained by dividing (A) the Specified Dollar Amount applicable to such conversion by (B) thirty-five (35).

“Daily Share Amount” means, with respect to any VWAP Trading Day, the quotient obtained by dividing (A) the excess, if any, of the Daily Conversion Value for such VWAP Trading Day over the applicable Daily Maximum Cash Amount by (B) the Daily VWAP for such VWAP Trading Day. For the avoidance of doubt, the Daily Share Amount will be zero for such VWAP Trading Day if such Daily Conversion Value does not exceed such Daily Maximum Cash Amount.

“Daily VWAP” means, for any VWAP Trading Day, the per share volume-weighted average price of the Ordinary Shares as displayed under the heading “Bloomberg VWAP” on Bloomberg page “FTCH <EQUITY> AQR” (or, if such page is not available, its equivalent successor page) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such VWAP Trading Day (or, if such volume-weighted average price is unavailable, the market value of one Ordinary Share on such VWAP Trading Day, determined, using a volume-weighted average price method, by a nationally recognized independent investment banking firm selected by the Company). The Daily VWAP will be determined without regard to after-hours trading or any other trading outside of the regular trading session.

“De-Legending Deadline Date” means, with respect to any Note, the thirtieth (30th) day after the Free Trade Date of such Note; *provided, however*, that if such thirtieth (30th) day is after a Regular Record Date and on or before the next Interest Payment Date, then the De-Legending Deadline Date for such Note will instead be the Business Day immediately after such Interest Payment Date.

“Default” means any event that is (or, after notice, passage of time or both, would be) an Event of Default.

“Default Settlement Method” means Combination Settlement with a Specified Dollar Amount of \$1,000 per \$1,000 principal amount of Notes; *provided, however*, that the Company may, from time to time, change the Default Settlement Method by sending notice of the new Default Settlement Method to the Holders, the Trustee and the Conversion Agent.

“Depository” means The Depository Trust Company or its successor.

“Depository Participant” means any member of, or participant in, the Depository.

“Depository Procedures” means, with respect to any conversion, transfer, exchange, payment or transaction involving a Global Note or any beneficial interest therein, the rules and procedures of the Depository applicable to such conversion, transfer, exchange, payment or transaction.

“Ex-Dividend Date” means, with respect to an issuance, dividend or distribution on the Ordinary Shares, the first date on which the Ordinary Shares trade on the applicable exchange or in the applicable market, regular way, without the right to receive such issuance, dividend or distribution (including pursuant to due bills or similar arrangements required by the relevant stock exchange). For the avoidance of doubt, any alternative trading convention on the applicable exchange or market in respect of the Ordinary Shares under a separate ticker symbol or CUSIP number will not be considered “regular way” for this purpose.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

“**Free Trade Date**” means, with respect to any Note, the date that is one (1) year after the Issue Date of such Note.

“**Freely Tradable**” means, with respect to any Note, that such Note would be eligible to be offered, sold or otherwise transferred pursuant to Rule 144 if held by a Person that is not an Affiliate of the Company, and that has not been an Affiliate of the Company during the immediately preceding three (3) months, without any requirements as to volume, manner of sale, availability of current public information or notice under the Securities Act; *provided, however*, that from and after the Free Trade Date of such Note, such Note will not be “Freely Tradable” unless such Note (x) is not identified by a “restricted” CUSIP or ISIN number; and (y) is not represented by any certificate that bears the Restricted Note Legend (or any legend similar to the restrictive note legend described in **Section 2.09**). For the avoidance of doubt, whether a Note is deemed to be identified by a “restricted” CUSIP or ISIN number or to bear the Restricted Note Legend is subject to **Section 2.12**.

“**Fundamental Change**” means any of the following events:

(A) (1) a “person” or “group” (within the meaning of Section 13(d)(3) of the Exchange Act), other than (w) the Company, (x) its Wholly Owned Subsidiaries, (y) their respective employee benefit plans or (z) any Permitted Party, files any report with the SEC indicating that such person or group has become the direct or indirect “beneficial owner” (as defined below) of Ordinary Shares representing more than fifty percent (50%) of the voting power of all of the then-outstanding Ordinary Shares; or (2) any Permitted Party files any report with the SEC indicating that such “person” or “group” has become the direct or indirect “beneficial owner” of (i) Ordinary Shares representing more than eighty-two percent (82%) of the voting power of all the then-outstanding Ordinary Shares, (ii) the Company’s common equity representing more than eighty-two percent (82%) of the voting power of all of the Company’s then-outstanding common equity or (iii) Ordinary Shares representing more than fifty percent (50%) of the number of the then-outstanding Ordinary Shares (excluding, solely for purposes of this clause (iii), any Ordinary Shares that such Permitted Party “beneficially owns” solely by virtue of its “beneficial ownership” of the Company’s Class B ordinary shares);

(B) the consummation of (i) any sale, lease or other transfer, in one transaction or a series of transactions, of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to any Person, other than solely to the Company or one or more of the Company’s Wholly Owned Subsidiaries; or (ii) any transaction or series of related transactions in connection with which (whether by means of merger, consolidation, share exchange, combination, reclassification, recapitalization, acquisition, liquidation or otherwise) all or substantially all of the Ordinary Shares are exchanged for, converted into, acquired for, or constitutes solely the right to receive, other securities, cash or other property; *provided, however*, that any merger, consolidation, share exchange or combination of the Company pursuant to which (x) a Permitted Party continues to beneficially own more than fifty percent (50%) of the voting power of all classes of common equity of the surviving, continuing or acquiring company or other transferee, as applicable, and (y) all other Persons (including Permitted Parties) that directly or indirectly “beneficially own,” immediately after such transaction, more than fifty percent (50%) of all classes of common equity of the surviving, continuing or acquiring company or other transferee, as applicable, or the parent thereof, in substantially the same proportions vis-à-vis each other as immediately before such transaction will be deemed not to be a Fundamental Change pursuant to this **clause (B)**;

(C) the Company's shareholders approve any plan or proposal for the liquidation or dissolution of the Company; *provided* that, if such plan or proposal for the liquidation or dissolution of the Company is approved in connection with an event described in **clause (A)** or **(B)** above, only such event described in **clause (A)** or **(B)** shall constitute a Fundamental Change; or

(D) the Ordinary Shares cease to be listed on any of The New York Stock Exchange, The NASDAQ Global Market or The NASDAQ Global Select Market (or any of their respective successors); *provided* that, if such delisting occurs in connection with an event described in **clause (A)** or **(B)** above, only such event described in **clause (A)** or **(B)** shall constitute a Fundamental Change; *provided*, however, that a transaction or event described in **clause (A)** or **(B)** above will not constitute a Fundamental Change if (x) a Permitted Party continues to beneficially own more than fifty percent (50%) of the voting power of all classes of common equity of the surviving, continuing or acquiring company or other transferee, as applicable, after such transaction or event, and (y) at least ninety percent (90%) of the consideration received or to be received by the holders of Ordinary Shares (excluding cash payments for fractional shares or pursuant to dissenters rights), in connection with such transaction or event, consists of ordinary shares, or shares of common stock, listed (or depositary receipts representing ordinary shares or shares of common stock, which depositary shares are listed) on any of The New York Stock Exchange, The NASDAQ Global Market or The NASDAQ Global Select Market (or any of their respective successors), or that will be so listed when issued or exchanged in connection with such transaction or event, and such transaction or event shall constitute a Share Change Event whose Reference Property consists of such consideration.

For the purposes of this definition, (x) any transaction or event described in both **clause (A)** and in **clause (B)(ii)** above (without regard to the proviso in **clause (B)**) will be deemed to occur solely pursuant to **clause (B)** above (subject to such proviso); and (y) whether a Person is a "beneficial owner," whether shares are "beneficially owned," and percentage beneficial ownership, will be determined in accordance with Rule 13d-3 under the Exchange Act.

For the avoidance of doubt, the conversion or exchange of any or all of the Company's Class B ordinary shares into Ordinary Shares in one or more transactions will not, in itself, be considered to constitute a Fundamental Change purchase to **clause (B)** above.

"**Fundamental Change Repurchase Date**" means the date fixed for the repurchase of any Notes by the Company pursuant to a Repurchase Upon Fundamental Change.

"**Fundamental Change Repurchase Notice**" means a notice (including a notice substantially in the form of the "Fundamental Change Repurchase Notice" set forth in **Exhibit A**) containing the information, or otherwise complying with the requirements, set forth in **Section 4.02(F)(i)** and **Section 4.02(F)(ii)**.

"**Fundamental Change Repurchase Price**" means the cash price payable by the Company to repurchase any Note upon its Repurchase Upon Fundamental Change, calculated pursuant to **Section 4.02(D)**.

“**Global Note**” means a Note that is represented by a certificate substantially in the form set forth in **Exhibit A**, registered in the name of the Depositary or its nominee, duly executed by the Company and authenticated by the Trustee, and deposited with the Trustee, as custodian for the Depositary.

“**Global Note Legend**” means a legend substantially in the form set forth in **Exhibit B-2**.

“**Holder**” means a person in whose name a Note is registered on the Registrar’s books.

“**Indenture**” means this Indenture, as amended or supplemented from time to time.

“**Internal Revenue Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Interest Payment Date**” means, with respect to a Note, each March 31, June 30, September 30, and December 31 of each year, commencing on March 31, 2020 (or commencing on such other date specified in the certificate representing such Note). For the avoidance of doubt, the Maturity Date is an Interest Payment Date.

“**Investment Agreement**” means that certain Investment Agreement, dated January 29, 2020, between the Company and the purchasers identified therein.

“**Issue Date**” means, with respect to any Notes issued pursuant to the Investment Agreement, and any Notes issued in exchange therefor or in substitution thereof, February 5, 2020.

“**Last Reported Sale Price**” of the Ordinary Shares for any Trading Day means the closing sale price per Ordinary Share (or, if no closing sale price is reported, the average of the last bid price and the last ask price per Ordinary Share or, if more than one in either case, the average of the average last bid prices and the average last ask prices per Ordinary Share) on such Trading Day as reported in composite transactions for the principal U.S. national or regional securities exchange on which the Ordinary Shares are then listed. If the Ordinary Shares are not listed on a U.S. national or regional securities exchange on such Trading Day, then the Last Reported Sale Price will be the last quoted bid price per Ordinary Share on such Trading Day in the over-the-counter market as reported by OTC Markets Group Inc. or a similar organization. If the Ordinary Shares are not so quoted on such Trading Day, then the Last Reported Sale Price will be the average of the mid-point of the last bid price and the last ask price per Ordinary Share on such Trading Day from a nationally recognized independent investment banking firm selected by the Company. Neither the Trustee nor the Conversion Agent will have any duty to determine the Last Reported Sale Price.

“**Make-Whole Fundamental Change**” means a Fundamental Change (determined without regard to the proviso to **clause (B) (ii)** of the definition thereof).

“**Make-Whole Fundamental Change Conversion Period**” means the period from, and including, the Make-Whole Fundamental Change Effective Date of a Make-Whole Fundamental Change to, and including, the thirty fifth (35th) Trading Day after such Make-Whole Fundamental Change Effective Date (or, if such Make-Whole Fundamental Change also constitutes a Fundamental Change, to, but excluding, the related Fundamental Change Repurchase Date).

“**Make-Whole Fundamental Change Effective Date**” means the date on which a Make-Whole Fundamental Change occurs or becomes effective.

“**Market Disruption Event**” means, with respect to any date, the occurrence or existence, during the one-half hour period ending at the scheduled close of trading on such date on the principal U.S. national or regional securities exchange or other market on which the Ordinary Shares are listed for trading or trades, of any material suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant exchange or otherwise) in the Ordinary Shares or in any options contracts or futures contracts relating to the Ordinary Shares.

“**Maturity Date**” means December 31, 2025.

“**Non-Affiliate Legend**” means a legend substantially in the form set forth in **Exhibit B-3**.

“**Note Agent**” means any Registrar, Paying Agent or Conversion Agent.

“**Notes**” means the 5.00% Convertible Senior Notes due 2025 issued by the Company pursuant to this Indenture.

“**Notes Fungibility Date**” means the date, if any, following the Free Trade Date on which all of the Rule 144A Notes and all of the Regulation S Notes are no longer Transfer-Restricted Securities, do not bear the Restricted Note Legend, are fungible for U.S. securities law purposes and are assigned an identical, unrestricted CUSIP number.

“**Observation Period**” means, with respect to any Note to be converted, (A) subject to **clause (B)** below, if the Conversion Date for such Note occurs on or before September 30, 2025, the thirty-five (35) consecutive VWAP Trading Days beginning on, and including, the second (2nd) VWAP Trading Day immediately after such Conversion Date; (B) if such Conversion Date occurs on or after the date the Company has sent a Redemption Notice calling such Note for Redemption pursuant to **Section 4.03(G)** and before the related Redemption Date, the thirty-five (35) consecutive VWAP Trading Days beginning on, and including, the thirty-sixth (36th) Scheduled Trading Day immediately before such Redemption Date; and (C) subject to **clause (B)** above, if such Conversion Date occurs after September 30, 2025, the thirty-five (35) consecutive VWAP Trading Days beginning on, and including, the thirty-sixth (36th) Scheduled Trading Day immediately before the Maturity Date.

“**Officer**” means the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Controller, or the General Counsel of the Company.

“Officer’s Certificate” means a certificate that is signed on behalf of the Company by one (1) of its Officers and that meets the requirements of **Section 11.03**.

“Open of Business” means 9:00 a.m., New York City time.

“Opinion of Counsel” means an opinion, from legal counsel (including an employee of, or counsel to, the Company or any of its Subsidiaries) who is reasonably acceptable to the Trustee, that meets the requirements of **Section 11.03**, subject to customary qualifications and exclusions.

“Ordinary Shares” means the Class A ordinary shares, \$0.04 par value per share, of the Company, subject to **Section 5.09**.

“Permitted Party” means (A) any of José Neves and his Affiliated Parties; and (B) any “group” within the meaning of Section 13(d) of the Exchange Act consisting solely of Permitted Parties. For the avoidance of doubt, any of TGF Participations Limited and its Subsidiaries constitute a Permitted Party as of February 5, 2020 pursuant to **clause (A)** of this definition and **clause (B)** of the definition of “Affiliated Party.”

“Person” or **“person”** means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof. Any division or series of a limited liability company, limited partnership or trust will constitute a separate “person” under this Indenture.

“Physical Note” means a Note (other than a Global Note) that is represented by a certificate substantially in the form set forth in **Exhibit A**, registered in the name of the Holder of such Note and duly executed by the Company and authenticated by the Trustee.

“Place of Payment” means the office or agency of the Paying Agent established pursuant to **Section 2.06(A)** where Notes may be presented for payment, which office or agency, for the avoidance of doubt, must be in the contiguous United States.

“Qualified Retirement Plan” means any individual retirement account, as defined in Section 408(a) of the Internal Revenue Code, or a pension, profit sharing, stock bonus or other type of plan or trust of which such natural person is a participant or beneficiary and that satisfies the requirements for qualification under Section 401 of the Internal Revenue Code, or any comparable structure established under the laws of any relevant jurisdiction.

“Redemption” means the repurchase of any Note by the Company pursuant to **Section 4.03**.

“Redemption Date” means the date fixed for the repurchase of any Notes by the Company pursuant to a Redemption.

“Redemption Notice Date” means, with respect to a Redemption, the date on which the Company sends the Redemption Notice for such Redemption pursuant to **Section 4.03(G)**.

“Redemption Price” means the cash price payable by the Company to redeem any Note upon its Redemption, calculated pursuant to **Section 4.03(F)**.

“Regular Record Date” has the following meaning with respect to an Interest Payment Date: (A) if such Interest Payment Date occurs on March 31, the immediately preceding March 15; (B) if such Interest Payment Date occurs on June 30, the immediately preceding June 15; (C) if such Interest Payment Date occurs on September 30, the immediately preceding September 15; and (D) if such Interest Payment Date occurs on December 31, the immediately preceding December 15.

“Regulation S” means Regulation S under the Securities Act or any successor to such regulation.

“Regulation S Notes” means the Notes, if any, initially offered and sold outside the United States pursuant to Regulation S.

“Repurchase Upon Change of Control Fundamental Change” means the repurchase of any Note by the Company pursuant to **Section 4.02** in connection with an event specified in clauses (A) or (B) of the definition of a “Fundamental Change”.

“Repurchase Upon Fundamental Change” means any Repurchase Upon Change of Control Fundamental Change or Repurchase Upon Other Fundamental Change pursuant to **Section 4.02**.

“Repurchase Upon Other Fundamental Change” means the repurchase of any Note by the Company pursuant to **Section 4.02** in connection with an event specified in clauses (C) or (D) of the definition of a “Fundamental Change”.

“Responsible Officer” means (A) any officer within the global capital markets group of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of such officers with direct responsibility for this Indenture; and (B) with respect to a particular corporate trust matter relating to this Indenture, any other officer to whom such matter is referred because of his or her knowledge of, and familiarity with, the particular subject.

“Restricted Note Legend” means a legend substantially in the form set forth in **Exhibit B-1**.

“Restricted Share Legend” means, with respect to any Conversion Share, a legend substantially in the form of the Restricted Note Legend to the effect that the offer and sale of such Conversion Share have not been registered under the Securities Act and that such Conversion Share cannot be sold or otherwise transferred except pursuant to a transaction that is registered under the Securities Act or that is exempt from, or not subject to, the registration requirements of the Securities Act.

“**Rule 144**” means Rule 144 under the Securities Act (or any successor rule thereto), as the same may be amended from time to time.

“**Rule 144A**” means Rule 144A under the Securities Act (or any successor rule thereto), as the same may be amended from time to time.

“**Rule 144A Notes**” means the notes initially offered and sold pursuant to Rule 144A.

“**Scheduled Trading Day**” means any day that is scheduled to be a Trading Day on the principal U.S. national or regional securities exchange on which the Ordinary Shares are then listed or, if the Ordinary Shares are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the Ordinary Shares are then traded. If the Ordinary Shares are not so listed or traded, then “Scheduled Trading Day” means a Business Day.

“**SEC**” means the U.S. Securities and Exchange Commission.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended.

“**Security**” means any Note or Conversion Share.

“**Settlement Method**” means Cash Settlement, Physical Settlement or Combination Settlement.

“**Share Price**” has the following meaning for any Make-Whole Fundamental Change: (A) if the holders of Ordinary Shares receive only cash in consideration for their Ordinary Shares in such Make-Whole Fundamental Change and such Make-Whole Fundamental Change is pursuant to **clause (B)** of the definition of “Fundamental Change,” then the Share Price is the amount of cash paid per Ordinary Share in such Make-Whole Fundamental Change; and (B) in all other cases, the Share Price is the average of the Last Reported Sale Prices per Ordinary Share for the five (5) consecutive Trading Days ending on, and including, the Trading Day immediately before the Make-Whole Fundamental Change Effective Date of such Make-Whole Fundamental Change.

“**Significant Subsidiary**” means, with respect to any Person, any Subsidiary of such Person that constitutes a “significant subsidiary” (as defined in Rule 1-02(w) of Regulation S-X under the Exchange Act) of such Person; *provided, however*, that, if a Subsidiary meets the criteria of clause (3), but not clause (1) or (2), of the definition of “significant subsidiary” in Rule 1-02(w) of Regulation S-X under the Exchange Act, then such Subsidiary will be deemed not to be a Significant Subsidiary unless such Subsidiary’s income from continuing operations before income taxes, exclusive of amounts attributable to any non-controlling interests, for the last completed fiscal year before the date of determination exceeds twenty-five million dollars (\$25,000,000).

“**Special Interest**” means any interest that accrues on any Note pursuant to **Section 7.03**.

“Specified Dollar Amount” means, with respect to the conversion of a Note to which Combination Settlement applies, the maximum cash amount per \$1,000 principal amount of such Note deliverable upon such conversion (excluding cash in lieu of any fractional Ordinary Share).

“Subsidiary” means, with respect to any Person, (A) any corporation, association or other business entity (other than a partnership or limited liability company) of which more than fifty percent (50%) of the total voting power of the Capital Stock entitled (without regard to the occurrence of any contingency, but after giving effect to any voting agreement or shareholders’ agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees, as applicable, of such corporation, association or other business entity is owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person; and (B) any partnership or limited liability company where (i) more than fifty percent (50%) of the capital accounts, distribution rights, equity and voting interests, or of the general and limited partnership interests, as applicable, of such partnership or limited liability company are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person, whether in the form of membership, general, special or limited partnership or limited liability company interests or otherwise; and (ii) such Person or any one or more of the other Subsidiaries of such Person is a controlling general partner of, or otherwise controls, such partnership or limited liability company.

“Tax” means any tax, duty, levy, impost, assessment or other governmental charge (including penalties and interest and other similar liabilities related thereto).

“Tax Redemption” means any Redemption of the Notes pursuant to Section 4.03(C).

“Trading Day” means any day on which (A) trading in the Ordinary Shares generally occurs on the principal U.S. national or regional securities exchange on which the Ordinary Shares are then listed or, if the Ordinary Shares are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the Ordinary Shares are then traded; and (B) there is no Market Disruption Event. If the Ordinary Shares are not so listed or traded, then “Trading Day” means a Business Day.

“Transfer-Restricted Security” means any Security that constitutes a “restricted security” (as defined in Rule 144); *provided, however*, that such Security will cease to be a Transfer-Restricted Security upon the earliest to occur of the following events:

(A) such Security is sold or otherwise transferred to a Person (other than the Company, an Affiliate of the Company or a Person that was an Affiliate of the Company in the three months immediately preceding) pursuant to a registration statement that was effective under the Securities Act at the time of such sale or transfer;

(B) such Security is sold or otherwise transferred to a Person (other than the Company, an Affiliate of the Company or a Person that was an Affiliate of the Company in the three months immediately preceding) pursuant to an available exemption (including Rule 144 and Regulation S) from the registration and prospectus-delivery requirements of, or in a transaction not subject to, the Securities Act and, immediately after such sale or transfer, such Security ceases to constitute a “restricted security” (as defined in Rule 144); and

(C) such Security is eligible for resale, by a Person that is not an Affiliate of the Company and that has not been an Affiliate of the Company during the immediately preceding three (3) months, pursuant to Rule 144 without any limitations thereunder as to volume, manner of sale, availability of current public information or notice.

The Trustee is under no obligation to determine whether any Security is a Transfer-Restricted Security and may conclusively rely on an Officer's Certificate with respect thereto.

"Trust Indenture Act" means the U.S. Trust Indenture Act of 1939, as amended.

"Trustee" means the Person named as such in the first paragraph of this Indenture until a successor replaces it in accordance with the provisions of this Indenture and, thereafter, means such successor.

"U.S. Person" shall have the meaning as such term is defined under Regulation S.

"VWAP Market Disruption Event" means, with respect to any date, (A) the failure by the principal U.S. national or regional securities exchange on which the Ordinary Shares are then listed, or, if the Ordinary Shares are not then listed on a U.S. national or regional securities exchange, the principal other market on which the Ordinary Shares are then traded, to open for trading during its regular trading session on such date; or (B) the occurrence or existence, for more than one half hour period in the aggregate, of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant exchange or otherwise) in the Ordinary Shares or in any options contracts or futures contracts relating to the Ordinary Shares, and such suspension or limitation occurs or exists at any time before 1:00 p.m., New York City time, on such date.

"VWAP Trading Day" means a day on which (A) there is no VWAP Market Disruption Event; and (B) trading in the Ordinary Shares generally occurs on the principal U.S. national or regional securities exchange on which the Ordinary Shares are then listed or, if the Ordinary Shares are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the Ordinary Shares are then traded. If the Ordinary Shares are not so listed or traded, then "VWAP Trading Day" means a Business Day.

"Wholly Owned Subsidiary" of a Person means any Subsidiary of such Person, determined by reference to the definition of "Subsidiary" but with each reference therein to "more than fifty percent (50%)" deemed to be replaced with "one hundred percent (100%)" for purposes of this definition; *provided, however*, that directors' qualifying shares will be disregarded for purposes of determining whether any Person is a "Wholly Owned Subsidiary" of another Person.

SECTION 1.02. OTHER DEFINITIONS.

Term	Defined in Section
“Additional Amounts”	3.05(A)
“Additional Shares”	5.07(A)
“Business Combination Event”	6.01(A)
“Cash Settlement”	5.03(A)
“Combination Settlement”	5.03(A)
“Conversion Agent”	2.06(A)
“Conversion Consideration”	5.03(B)
“Default Interest”	2.05(B)
“Defaulted Amount”	2.05(B)
“Event of Default”	7.01(A)
“Expiration Date”	5.05(A)(v)
“Expiration Time”	5.05(A)(v)
“FATCA”	3.05(A)(iv)
“Fundamental Change Notice”	4.02(E)
“Fundamental Change Repurchase Right”	4.02(A)
“Paying Agent”	2.06(A)
“Physical Settlement”	5.03(A)
“Redemption Notice”	4.03(G)
“Reference Property”	5.09(A)
“Reference Property Unit”	5.09(A)
“Register”	2.06(B)
“Registrar”	2.06(A)
“Relevant Taxing Jurisdiction”	3.05(A)
“Reporting Event of Default”	7.03(A)
“Share Change Event”	5.09(A)
“Specified Courts”	11.07
“Spin-Off”	5.05(A)(iii)(2)
“Spin-Off Valuation Period”	5.05(A)(iii)(2)
“Stated Interest”	2.05(A)
“Successor Corporation”	6.01(A)
“Successor Person”	5.09(A)
“Tax Redemption Opt-Out Election”	4.03(C)(ii)
“Tax Redemption Opt-Out Election Notice”	4.03(C)(ii)(1)
“Tender/Exchange Offer Valuation Period”	5.05(A)(v)
“Trigger Event”	5.05(A)(iii)(1)

SECTION 1.03. RULES OF CONSTRUCTION.

For purposes of this Indenture:

- (A) “or” is not exclusive;
- (B) “including” means “including without limitation”;
- (C) “will” expresses a command;
- (D) the “average” of a set of numerical values refers to the arithmetic average of such numerical values;
- (E) a merger involving, or a transfer of assets by, a limited liability company, limited partnership or trust will be deemed to include any division of or by, or an allocation of assets to a series of, such limited liability company, limited partnership or trust, or any unwinding of any such division or allocation;
- (F) words in the singular include the plural and in the plural include the singular, unless the context requires otherwise;
- (G) “herein,” “hereof” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision of this Indenture, unless the context requires otherwise;
- (H) references to currency mean the lawful currency of the United States of America, unless the context requires otherwise;
- (I) the exhibits, schedules and other attachments to this Indenture are deemed to form part of this Indenture; and
- (J) the term “**interest**,” when used with respect to a Note, includes any Additional Interest and Special Interest, unless the context requires otherwise.

Article 2. THE NOTES

SECTION 2.01. FORM, DATING AND DENOMINATIONS.

The Notes and the Trustee’s certificate of authentication will be substantially in the form set forth in **Exhibit A**. The Notes will bear the legends required by **Section 2.09** and may bear notations, legends or endorsements required by law, stock exchange rule or usage or the Depositary. Each Note will be dated as of the date of its authentication.

Except to the extent otherwise provided in a Company Order delivered to the Trustee in connection with the issuance and authentication thereof, the Rule 144A Notes will be issued initially in the form of one or more Global Notes and the Regulation S Notes will be issued initially in the form of one or more separate Global Notes. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes may be represented by one or more of the same Global Notes. Global Notes may be exchanged for Physical Notes, and Physical Notes may be exchanged for Global Notes, only as provided in **Section 2.10**.

The Notes will be issuable only in registered form without interest coupons and only in Authorized Denominations.

Each certificate representing a Note will bear a unique registration number that is not affixed to any other certificate representing another outstanding Note.

The terms contained in the Notes constitute part of this Indenture, and, to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, agree to such terms and to be bound thereby; *provided, however*, that, to the extent that any provision of any Note conflicts with the provisions of this Indenture, the provisions of this Indenture will control for purposes of this Indenture and such Note.

SECTION 2.02. EXECUTION, AUTHENTICATION AND DELIVERY.

(A) *Due Execution by the Company.* At least one (1) duly authorized Officer will sign the Notes on behalf of the Company by manual or facsimile signature. A Note's validity will not be affected by the failure of any Officer whose signature is on any Note to hold, at the time such Note is authenticated, the same or any other office at the Company.

(B) *Authentication by the Trustee and Delivery.*

(i) No Note will be valid until it is authenticated by the Trustee. A Note will be deemed to be duly authenticated only when an authorized signatory of the Trustee (or a duly appointed authenticating agent) manually signs the certificate of authentication of such Note.

(ii) The Trustee will cause an authorized signatory of the Trustee (or a duly appointed authenticating agent) to manually sign the certificate of authentication of a Note only if (1) the Company delivers such Note to the Trustee; (2) such Note is executed by the Company in accordance with **Section 2.02(A)**; and (3) the Company delivers a Company Order to the Trustee that (a) requests the Trustee to authenticate such Note; and (b) sets forth the name of the Holder of such Note and the date as of which such Note is to be authenticated. If such Company Order also requests the Trustee to deliver such Note to any Holder or to the Depositary, then the Trustee will promptly deliver such Note in accordance with such Company Order.

(iii) The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. A duly appointed authenticating agent may authenticate Notes whenever the Trustee may do so under this Indenture, and a Note authenticated as provided in this Indenture by such an agent will be deemed, for purposes of this Indenture, to be authenticated by the Trustee. Each duly appointed authenticating agent will have the same rights to deal with the Company as the Trustee would have if it were performing the duties that the authenticating agent was validly appointed to undertake.

SECTION 2.03. NOTES.

On the Issue Date, there will be originally issued two hundred fifty million dollars (\$250,000,000) aggregate principal amount of Notes, subject to the provisions of this Indenture (including **Section 2.02**). Notes issued pursuant to this **Section 2.03**, and any Notes issued in exchange therefor or in substitution thereof, are referred to in this Indenture as the “**Notes**.”

SECTION 2.04. METHOD OF PAYMENT.

(A) *Global Notes.* The Company will pay, or cause the Paying Agent to pay, the principal (whether due upon maturity on the Maturity Date, Redemption on a Redemption Date or repurchase on a Fundamental Change Repurchase Date or otherwise) of, interest on, and any cash Conversion Consideration for, any Global Note to the Depositary by wire transfer of immediately available funds no later than the time the same is due as provided in this Indenture.

(B) *Physical Notes.* The Company will pay, or cause the Paying Agent to pay, the principal (whether due upon maturity on the Maturity Date, Redemption on a Redemption Date or repurchase on a Fundamental Change Repurchase Date or otherwise) of, interest on, and any cash Conversion Consideration for, any Physical Note no later than the time the same is due as provided in this Indenture as follows: (i) if the principal amount of such Physical Note is at least five million dollars (\$5,000,000) (or such lower amount as the Company may choose in its sole and absolute discretion) and the Holder of such Physical Note entitled to such payment has delivered to the Paying Agent or the Trustee, no later than the time set forth in the immediately following sentence, a written request that the Company make such payment by wire transfer to an account of such Holder within the United States, by wire transfer of immediately available funds to such account; and (ii) in all other cases, by check mailed to the address of the Holder of such Physical Note entitled to such payment as set forth in the Register. To be timely, such written request must be so delivered no later than the Close of Business on the following date: (x) with respect to the payment of any interest due on an Interest Payment Date, the immediately preceding Regular Record Date; (y) with respect to any cash Conversion Consideration, the relevant Conversion Date; and (z) with respect to any other payment, the date that is fifteen (15) calendar days immediately before the date such payment is due.

SECTION 2.05. ACCRUAL OF INTEREST; DEFAULTED AMOUNTS; WHEN PAYMENT DATE IS NOT A BUSINESS DAY.

(A) *Accrual of Interest.* Each Note will accrue interest at a rate per annum equal to 5.00% (the “**Stated Interest**”), plus any Additional Interest and Special Interest that may accrue pursuant to **Sections 3.04** and **7.03**, respectively. Stated Interest on each Note will (i) accrue from, and including, the most recent date to which Stated Interest has been paid or duly provided for (or, if no Stated Interest has theretofore been paid or duly provided for, the date set forth in the certificate representing such Note as the date from, and including, which Stated Interest will begin to accrue in such circumstance) to, but excluding, the date of payment of such Stated Interest; and (ii) be, subject to **Sections 4.02(D)**, **4.03(F)** and **5.02(D)** (but without duplication of any payment of interest), payable quarterly in arrears on each Interest Payment Date, beginning on the first Interest Payment Date set forth in the certificate representing such Note, to the Holder of such Note as of the Close of Business on the immediately preceding Regular Record Date. Stated Interest, and, if applicable, Additional Interest and Special Interest, on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

(B) *Defaulted Amounts.* If the Company fails to pay any amount (a “**Defaulted Amount**”) payable on a Note on or before the due date therefor as provided in this Indenture, then, regardless of whether such failure constitutes an Event of Default, (i) such Defaulted Amount will forthwith cease to be payable to the Holder of such Note otherwise entitled to such payment; (ii) to the extent lawful, interest (“**Default Interest**”) will accrue on such Defaulted Amount at a rate per annum equal to the rate per annum at which Stated Interest accrues, from, and including, such due date to, but excluding, the date of payment of such Defaulted Amount and Default Interest; (iii) such Defaulted Amount and Default Interest will be paid on a payment date selected by the Company to the Holder of such Note as of the Close of Business on a special record date selected by the Company, *provided* that such special record date must be no more than fifteen (15), nor less than ten (10), calendar days before such payment date; and (iv) at least fifteen (15) calendar days before such special record date, the Company will send notice to the Trustee and the Holders that states such special record date, such payment date and the amount of such Defaulted Amount and Default Interest to be paid on such payment date.

(C) *Delay of Payment when Payment Date is Not a Business Day.* If the due date for a payment on a Note as provided in this Indenture is not a Business Day, then, notwithstanding anything to the contrary in this Indenture or the Notes, such payment may be made on the immediately following Business Day and no interest will accrue on such payment as a result of the related delay. Solely for purposes of the immediately preceding sentence, a day on which the applicable Place of Payment is authorized or required by law or executive order to close or be closed will be deemed not to be a “Business Day.”

SECTION 2.06. REGISTRAR, PAYING AGENT AND CONVERSION AGENT.

(A) *Generally.* The Company will maintain (i) an office or agency in the contiguous United States where Notes may be presented for registration of transfer or for exchange (the “**Registrar**”); (ii) an office or agency in the contiguous United States where Notes may be presented for payment (the “**Paying Agent**”); and (iii) an office or agency in the contiguous United States where Notes may be presented for conversion (the “**Conversion Agent**”). If the Company fails to maintain a Registrar, Paying Agent or Conversion Agent, then the Trustee will act as such. For the avoidance of doubt, the Company or any of its Subsidiaries may act as Registrar, Paying Agent or Conversion Agent without prior notice to Holders.

(B) *Duties of the Registrar.* The Registrar will keep a record (the “**Register**”) of the names and addresses of the Holders, the Notes held by each Holder and the transfer, exchange, repurchase, Redemption and conversion of Notes. Absent manifest error, the entries in the Register will be conclusive and the Company and the Trustee may treat each Person whose name is recorded as a Holder in the Register as a Holder for all purposes. The Register will be in written form or in any form capable of being converted into written form reasonably promptly.

(C) *Co-Agents; Company’s Right to Appoint Successor Registrars, Paying Agents and Conversion Agents.* The Company may appoint one or more co-Registrars, co-Paying Agents and co-Conversion Agents, each of whom will be deemed to be a Registrar, Paying Agent or Conversion Agent, as applicable, under this Indenture. Subject to **Section 2.06(A)**, the Company may change any Registrar, Paying Agent or Conversion Agent (including appointing itself or any of its Subsidiaries to act in such capacity) without notice to any Holder. The Company will notify the Trustee (and, upon request, any Holder) of the name and address of each Note Agent, if any, not a party to this Indenture and will enter into an appropriate agency agreement with each such Note Agent, which agreement will implement the provisions of this Indenture that relate to such Note Agent.

(D) *Initial Appointments.* The Company appoints the Trustee as the initial Paying Agent, the initial Registrar and the initial Conversion Agent.

SECTION 2.07. PAYING AGENT AND CONVERSION AGENT TO HOLD PROPERTY IN TRUST.

The Company will require each Paying Agent or Conversion Agent that is not the Trustee to agree in writing that such Note Agent will (A) hold in trust for the benefit of Holders or the Trustee all money and other property held by such Note Agent for payment or delivery due on the Notes; and (B) notify the Trustee of any default by the Company in making any such payment or delivery. The Company, at any time, may, and the Trustee, while any Default continues, may, require a Paying Agent or Conversion Agent to pay or deliver, as applicable, all money and other property held by it to the Trustee, after which payment or delivery, as applicable, such Note Agent (if not the Company or any of its Subsidiaries) will have no further liability for such money or property. If the Company or any of its Subsidiaries acts as Paying Agent or Conversion Agent, then (A) it will segregate and hold in a separate trust fund for the benefit of the Holders or the Trustee all money and other property held by it as Paying Agent or Conversion Agent; and (B) references in this Indenture or the Notes to the Paying Agent or Conversion Agent holding cash or other property, or to the delivery of cash or other property to the Paying Agent or Conversion Agent, in each case for payment or delivery to any Holders or the Trustee or with respect to the Notes, will be deemed to refer to cash or other property so segregated and held separately, or to the segregation and separate holding of such cash or other property, respectively. Upon the occurrence of any event pursuant to in **clause (viii)** or **(ix)** of **Section 7.01(A)** with respect to the Company (or with respect to any Subsidiary of the Company acting as Paying Agent or Conversion Agent), the Trustee will serve as the Paying Agent or Conversion Agent, as applicable, for the Notes.

SECTION 2.08. HOLDER LISTS.

If the Trustee is not the Registrar, the Company will furnish to the Trustee, no later than seven (7) Business Days before each Interest Payment Date, and at such other times as the Trustee may request, a list, in such form and as of such date or time as the Trustee may reasonably require, of the names and addresses of the Holders.

SECTION 2.09. LEGENDS.

(A) *Global Note Legend.* Each Global Note will bear the Global Note Legend (or any similar legend, not inconsistent with this Indenture, required by the Depositary for such Global Note).

(B) *Non-Affiliate Legend.* Each Note will bear the Non-Affiliate Legend.

(C) *Restricted Note Legend.* Subject to **Section 2.12**,

(i) each Note that is a Transfer-Restricted Security will bear the Restricted Note Legend; and

(ii) if a Note is issued in exchange for, in substitution of, or to effect a partial conversion of, another Note (such other Note being referred to as the “old Note” for purposes of this **Section 2.09(C)(ii)**), including pursuant to **Section 2.10(B)**, **2.10(C)**, **2.11** or **2.13**, such Note will bear the Restricted Note Legend if such old Note bore the Restricted Note Legend at the time of such exchange or substitution, or on the related Conversion Date with respect to such conversion, as applicable; *provided, however*, that such Note need not bear the Restricted Note Legend if such Note does not constitute a Transfer-Restricted Security immediately after such exchange or substitution, or as of such Conversion Date, as applicable.

(D) *Other Legends.* A Note may bear any other legend or text, not inconsistent with this Indenture, as may be required by applicable law or by any securities exchange or automated quotation system on which such Note is traded or quoted.

(E) *Acknowledgement and Agreement by the Holders.* A Holder’s acceptance of any Note bearing any legend required by this **Section 2.09** will constitute such Holder’s acknowledgement of, and agreement to comply with, the restrictions set forth in such legend.

(F) *Restricted Share Legend.*

(i) Each Conversion Share will bear the Restricted Share Legend if the Note upon the conversion of which such Conversion Share was issued was (or would have been had it not been converted) a Transfer-Restricted Security at the time such Conversion Share was issued; *provided, however*, that such Conversion Share need not bear the Restricted Share Legend if the Company determines, in its reasonable discretion, that such Conversion Share need not bear the Restricted Share Legend.

(ii) Notwithstanding anything to the contrary in this **Section 2.09(F)**, a Conversion Share need not bear a Restricted Share Legend if such Conversion Share is issued in an uncertificated form that does not permit affixing legends thereto, *provided* the Company takes measures (including the assignment thereto of a “restricted” CUSIP number) that it reasonably deems appropriate to enforce the transfer restrictions referred to in the Restricted Share Legend.

SECTION 2.10. TRANSFERS AND EXCHANGES; CERTAIN TRANSFER RESTRICTIONS.

(A) *Provisions Applicable to All Transfers and Exchanges.*

(i) Subject to this **Section 2.10**, Physical Notes and beneficial interests in Global Notes may be transferred or exchanged from time to time and the Registrar will record each such transfer or exchange in the Register.

(ii) Each Note issued upon transfer or exchange of any other Note (such other Note being referred to as the “old Note” for purposes of this **Section 2.10(A)(ii)**) or portion thereof in accordance with this Indenture will be the valid obligation of the Company, evidencing the same indebtedness, and entitled to the same benefits under this Indenture, as such old Note or portion thereof, as applicable.

(iii) The Company, the Trustee and the Note Agents will not impose any service charge on any Holder for any transfer, exchange or registration of transfer of Notes as a result of the name of the Holder of new Notes issued upon such exchange or registration of transfer being different from the name of the Holder of the old Notes surrendered for exchange or registration of transfer, or in connection with any conversion of Notes, but the Company, the Trustee, the Registrar and the Conversion Agent may require payment of a sum sufficient to cover any transfer tax or similar governmental charge that may be imposed in connection with any transfer, exchange or conversion of Notes, other than exchanges pursuant to **Sections 2.11, 2.17 or 8.05** not involving any transfer.

(iv) Notwithstanding anything to the contrary in this Indenture or the Notes, a Note may not be transferred or exchanged in part unless the portion to be so transferred or exchanged is in an Authorized Denomination.

(v) The Trustee will have no obligation or duty to monitor, determine or inquire as to compliance with any transfer restrictions imposed under this Indenture or applicable law with respect to any Security, other than to require the delivery of such certificates or other documentation or evidence as expressly required by this Indenture and to examine the same to determine substantial compliance as to form with the requirements of this Indenture.

(vi) Each Note issued upon transfer of, or in exchange for, another Note will bear each legend, if any, required by **Section 2.09**.

(vii) Upon satisfaction of the requirements of this Indenture to effect a transfer or exchange of any Note, the Company will cause such transfer or exchange to be effected as soon as reasonably practicable but in no event later than the second (2nd) Business Day after the date of such satisfaction.

(viii) For the avoidance of doubt, and subject to the terms of this Indenture, as used in this **Section 2.10**, an “exchange” of a Global Note or a Physical Note includes (x) an exchange effected for the sole purpose of removing any Restricted Note Legend affixed to such Global Note or Physical Note; and (y) if such Global Note or a Physical Note is identified by a “restricted” CUSIP number, an exchange effected for the sole purpose of causing such Global Note or a Physical Note to be identified by an “unrestricted” CUSIP number.

(ix) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Note, a member of, or a Depositary Participant or other Person with respect to the accuracy of the records of the Depositary or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depositary) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Notes. The rights of beneficial owners in any Global Note shall be exercised only through the Depositary subject to the Depositary Procedures. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any beneficial owners.

(x) Notwithstanding anything to the contrary herein but subject to **Section 2.10(B)**, prior to the Notes Fungibility Date, upon surrender for registration of transfer of any Rule 144A Note or Regulation S Note, as the case may be, the Company will issue, execute and deliver, and the Trustee will authenticate, in the name of the designated transferee or transferees, one or more new Rule 144A Notes or Regulation S Notes, as the case may be, of any Authorized Denominations and of a like aggregate principal amount, in each case in accordance with **Section 2.02**, bearing each legend (including the Restricted Note Legend) required by **Section 2.09**. Following the Notes Fungibility Date, upon surrender for registration of transfer of any Note, the Company will issue, execute and deliver, and the Trustee will authenticate, in the name of the designated transferee or transferees, one or more new Notes of any Authorized Denominations and of a like aggregate principal amount, in each case in accordance with **Section 2.02**, bearing each legend (other than the Restricted Note Legend) required by **Section 2.09**.

(xi) Notwithstanding anything to the contrary herein but subject to **Section 2.10(B)**, prior to the Notes Fungibility Date, Rule 144A Notes and Regulation S Notes, as the case may be, may be exchanged for other Rule 144A Notes or Regulation S Notes, as the case may be, of any Authorized Denominations and of a like aggregate principal amount, upon surrender of the Rule 144A Notes or Regulation S Notes, as the case may be. Whenever any Rule 144A Notes or Regulation S Notes, as the case may be, are so surrendered for exchange, the Company will issue, execute and deliver, and the Trustee will authenticate, the Rule 144A Notes or Regulation S Notes, as the case may be, that the Holder making the exchange is entitled to receive, in each case in accordance with **Section 2.02**, bearing each legend (including the Restricted Note Legend) required by **Section 2.09**. Following the Notes Fungibility Date, the Notes may be exchanged for other Notes of any Authorized Denominations and of a like aggregate principal amount, upon surrender of the Notes. Whenever any Notes are so surrendered for exchange, the Company will issue, execute and deliver, and the Trustee will authenticate the Notes that the Holder making the exchange is entitled to receive, in accordance with **Section 2.02**, bearing each legend (other than the Restricted Note Legend) required by **Section 2.09**.

(B) *Transfers and Exchanges of Global Notes.*

(i) Subject to the immediately following sentence, no Global Note may be transferred or exchanged in whole except (x) by the Depositary to a nominee of the Depositary; (y) by a nominee of the Depositary to the Depositary or to another nominee of the Depositary; or (z) by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. No Global Note (or any portion thereof) may be transferred to, or exchanged for, a Physical Note; *provided, however*, that a Global Note will be exchanged, pursuant to customary procedures, for one or more Physical Notes if:

(1) (x) the Depositary notifies the Company or the Trustee that the Depositary is unwilling or unable to continue as depositary for such Global Note or (y) the Depositary ceases to be a “clearing agency” registered under Section 17A of the Exchange Act and, in each case, the Company fails to appoint a successor Depositary within ninety (90) days of such notice or cessation;

(2) an Event of Default has occurred and is continuing and the Company, the Trustee or the Registrar has received a written request from the Depositary, or from a holder of a beneficial interest in such Global Note, to exchange such Global Note or beneficial interest, as applicable, for one or more Physical Notes; or

(3) the Company, in its sole discretion, permits the exchange of any beneficial interest in such Global Note for one or more Physical Notes at the request of the owner of such beneficial interest.

(ii) Upon satisfaction of the requirements of this Indenture to effect a transfer or exchange of any Global Note (or any portion thereof):

(1) the Trustee will reflect any resulting decrease of the principal amount of such Global Note by notation on the “Schedule of Exchanges of Interests in the Global Note” forming part of such Global Note (and, if such notation results in such Global Note having a principal amount of zero, the Company may (but is not required to) instruct the Trustee to cancel such Global Note pursuant to **Section 2.15**);

(2) if required to effect such transfer or exchange, then the Trustee will reflect any resulting increase of the principal amount of any other Global Note by notation on the “Schedule of Exchanges of Interests in the Global Note” forming part of such other Global Note;

(3) if required to effect such transfer or exchange, then the Company will issue, execute and deliver, and the Trustee will authenticate, in each case in accordance with **Section 2.02**, a new Global Note bearing each legend, if any, required by **Section 2.09**; and

(4) if such Global Note (or such portion thereof), or any beneficial interest therein, is to be exchanged for one or more Physical Notes, then the Company will issue, execute and deliver, and the Trustee will authenticate, in each case in accordance with **Section 2.02**, one or more Physical Notes that are in Authorized Denominations (not to exceed, in the aggregate, the principal amount of such Global Note to be so exchanged), are registered in such name(s) as the Depositary specifies (or as otherwise determined pursuant to customary procedures) and bear each legend, if any, required by **Section 2.09**.

(iii) Each transfer or exchange of a beneficial interest in any Global Note will be made in accordance with the Depositary Procedures.

(C) *Transfers and Exchanges of Physical Notes.*

(i) Subject to this **Section 2.10**, a Holder of a Physical Note may (x) transfer such Physical Note (or any portion thereof in an Authorized Denomination) to one or more other Person(s); (y) exchange such Physical Note (or any portion thereof in an Authorized Denomination) for one or more other Physical Notes in Authorized Denominations having an aggregate principal amount equal to the aggregate principal amount of the Physical Note (or portion thereof) to be so exchanged; and (z) if then permitted by the Depositary Procedures, transfer such Physical Note (or any portion thereof in an Authorized Denomination) in exchange for a beneficial interest in one or more Global Notes; *provided, however*, that, to effect any such transfer or exchange, such Holder must:

(1) surrender such Physical Note to be transferred or exchanged to the office of the Registrar, together with any endorsements or transfer instruments reasonably required by the Company, the Trustee or the Registrar; and

(2) deliver such certificates, documentation or evidence as may be required pursuant to **Section 2.10(D)**.

(ii) Upon the satisfaction of the requirements of this Indenture to effect a transfer or exchange of any Physical Note (such Physical Note being referred to as the “old Physical Note” for purposes of this **Section 2.10(C)(ii)**) of a Holder (or any portion of such old Physical Note in an Authorized Denomination):

(1) such old Physical Note will be promptly cancelled pursuant to **Section 2.15**;

(2) if such old Physical Note is to be transferred or exchanged only in part, then the Company will issue, execute and deliver, and the Trustee will authenticate, in each case in accordance with **Section 2.02**, one or more Physical Notes that (x) are in Authorized Denominations and have an aggregate principal amount equal to the principal amount of such old Physical Note not to be transferred or exchanged; (y) are registered in the name of such Holder; and (z) bear each legend, if any, required by **Section 2.09**;

(3) in the case of a transfer:

(a) to the Depositary or a nominee thereof that will hold its interest in such old Physical Note (or such portion thereof) to be so transferred in the form of one or more Global Notes, the Trustee will reflect an increase of the principal amount of one or more existing Global Notes by notation on the “Schedule of Exchanges of Interests in the Global Note” forming part of such Global Note(s), which increase(s) are in Authorized Denominations and aggregate to the principal amount to be so transferred, and which Global Note(s) bear each legend, if any, required by **Section 2.09**; *provided, however*, that if such transfer cannot be so effected by notation on one or more existing Global Notes (whether because no Global Notes bearing each legend, if any, required by **Section 2.09** then exist, because any such increase will result in any Global Note having an aggregate principal amount exceeding the maximum aggregate principal amount permitted by the Depositary or otherwise), then the Company will issue, execute and deliver, and the Trustee will authenticate, in each case in accordance with **Section 2.02**, one or more Global Notes that (x) are in Authorized Denominations and have an aggregate principal amount equal to the principal amount to be so transferred; and (y) bear each legend, if any, required by **Section 2.09**; and

(b) to a transferee that will hold its interest in such old Physical Note (or such portion thereof) to be so transferred in the form of one or more Physical Notes, the Company will issue, execute and deliver, and the Trustee will authenticate, in each case in accordance with **Section 2.02**, one or more Physical Notes that (x) are in Authorized Denominations and have an aggregate principal amount equal to the principal amount to be so transferred; (y) are registered in the name of such transferee; and (z) bear each legend, if any, required by **Section 2.09**; and

(4) in the case of an exchange, the Company will issue, execute and deliver, and the Trustee will authenticate, in each case in accordance with **Section 2.02**, one or more Physical Notes that (x) are in Authorized Denominations and have an aggregate principal amount equal to the principal amount to be so exchanged; (y) are registered in the name of the Person to whom such old Physical Note was registered; and (z) bear each legend, if any, required by **Section 2.09**.

(D) *Requirement to Deliver Documentation and Other Evidence.* If a Holder of any Note that is identified by a “restricted” CUSIP number or that bears a Restricted Note Legend or is a Transfer-Restricted Security requests to:

- (i) cause such Note to be identified by an “unrestricted” CUSIP number;
- (ii) remove such Restricted Note Legend; or

(iii) register the transfer of such Note to the name of another Person, then the Company, the Trustee and the Registrar may refuse to effect such identification, removal or transfer, as applicable, unless there is delivered to the Company, the Trustee and the Registrar such certificates or other documentation or evidence as the Company, the Trustee and the Registrar may reasonably require to determine that such identification, removal or transfer, as applicable, complies with the Securities Act and other applicable securities laws; *provided, however*, that no such certificates, documentation or evidence need be so delivered (w) on and after the Free Trade Date with respect to such Note unless the Company determines, in its reasonable discretion, that such Note is not eligible to be offered, sold or otherwise transferred pursuant to Rule 144 or otherwise without any requirements as to volume, manner of sale, availability of current public information or notice under the Securities Act; (x) in connection with any transfer of such Note pursuant to Rule 144A or Regulation S; (y) in connection with any transfer of such Note to the Company or one of its Subsidiaries; or (z) in connection with any transfer of such Note pursuant to an effective registration statement under the Securities Act. All Notes presented or surrendered for registration of transfer or exchange will be duly endorsed, or accompanied by a written instrument or instruments of transfer in accordance with the Trustee's customary procedures, and such Notes will be duly endorsed by the Holder thereof or such Holder's attorney duly authorized in writing, in each case subject to the Depositary Procedures in the case of any Global Note. Except as otherwise provided in this Indenture, and in addition to the requirements set forth in the Restricted Note Legend, in connection with any transfer of a Transfer-Restricted Security, any request for transfer thereof will be accompanied by a certification to the Trustee relating to the manner of such transfer substantially in the form of the "Transferor Acknowledgement" set forth in **Exhibit A**.

(E) *Transfers of Notes Subject to Redemption, Repurchase or Conversion.* Notwithstanding anything to the contrary in this Indenture or the Notes, the Company, the Trustee and the Registrar will not be required to register the transfer of or exchange any Note that (i) has been surrendered for conversion, except to the extent that any portion of such Note is not subject to conversion; (ii) is subject to a Fundamental Change Repurchase Notice validly delivered, and not withdrawn, pursuant to **Section 4.02(F)**, except to the extent that any portion of such Note is not subject to such notice or the Company fails to pay the applicable Fundamental Change Repurchase Price when due; or (iii) has been selected for Redemption pursuant to a Redemption Notice, except to the extent that any portion of such Note is not subject to Redemption or the Company fails to pay the applicable Redemption Price when due.

SECTION 2.11. EXCHANGE AND CANCELLATION OF NOTES TO BE CONVERTED OR REPURCHASED.

(A) *Partial Conversions and Repurchases of Physical Notes.* If only a portion of a Physical Note of a Holder is to be converted pursuant to **Article 5** or repurchased pursuant to a Repurchase Upon Fundamental Change, then, as soon as reasonably practicable after such Physical Note is surrendered for such conversion or repurchase, the Company will cause such Physical Note to be exchanged, pursuant and subject to **Section 2.10(C)**, for (i) one or more Physical Notes that are in Authorized Denominations and have an aggregate principal amount equal to the principal

amount of such Physical Note that is not to be so converted or repurchased, as applicable, and deliver such Physical Note(s) to such Holder; and (ii) a Physical Note having a principal amount equal to the principal amount to be so converted or repurchased, as applicable, which Physical Note will be converted or repurchased, as applicable, pursuant to the terms of this Indenture; *provided, however*, that the Physical Note referred to in this clause (ii) need not be issued at any time after which such principal amount subject to such conversion or repurchase, as applicable, is deemed to cease to be outstanding pursuant to **Section 2.18**.

(B) *Cancellation of Converted and Repurchased Notes.*

(i) *Physical Notes.* If a Physical Note (or any portion thereof that has not theretofore been exchanged pursuant to **Section 2.11(A)**) of a Holder is to be converted pursuant to **Article 5** or repurchased pursuant to a Repurchase Upon Fundamental Change or Redemption, then, promptly after the later of the time such Physical Note (or such portion) is deemed to cease to be outstanding pursuant to **Section 2.18** and the time such Physical Note is surrendered for such conversion or repurchase, as applicable, (1) such Physical Note will be cancelled pursuant to **Section 2.15**; and (2) in the case of a partial conversion or repurchase, the Company will issue, execute and deliver to such Holder, and the Trustee will authenticate, in each case in accordance with **Section 2.02**, one or more Physical Notes that (x) are in Authorized Denominations and have an aggregate principal amount equal to the principal amount of such Physical Note that is not to be so converted or repurchased; (y) are registered in the name of such Holder; and (z) bear each legend, if any, required by **Section 2.09**.

(ii) *Global Notes.* If a Global Note (or any portion thereof) is to be converted pursuant to **Article 5** or repurchased pursuant to a Repurchase Upon Fundamental Change or Redemption, then, promptly after the time such Note (or such portion) is deemed to cease to be outstanding pursuant to **Section 2.18**, the Trustee will reflect a decrease of the principal amount of such Global Note in an amount equal to the principal amount of such Global Note to be so converted, redeemed or repurchased, as applicable, by notation on the “Schedule of Exchanges of Interests in the Global Note” forming part of such Global Note (and, if the principal amount of such Global Note is zero following such notation, cancel such Global Note pursuant to **Section 2.15**).

SECTION 2.12. REMOVAL OF TRANSFER RESTRICTIONS.

Without limiting the generality of any other provision of this Indenture (including **Section 3.04**), the Restricted Note Legend affixed to any Note will be deemed, pursuant to this **Section 2.12** and the footnote to such Restricted Note Legend, to be removed therefrom upon the Company’s delivery to the Trustee of notice, signed on behalf of the Company by one (1) of its Officers, to such effect (and, for the avoidance of doubt, such notice need not be accompanied by an Officer’s Certificate or an Opinion of Counsel in order to be effective to cause such Restricted Note Legend to be deemed to be removed from such Note). If such Note bears a “restricted” CUSIP or ISIN number at the time of such delivery, then, upon such delivery, such Note will be deemed, pursuant to this **Section 2.12** and the footnotes to the CUSIP and ISIN numbers set forth on the face of the certificate representing such Note, to thereafter bear the “unrestricted” CUSIP and ISIN numbers identified in such footnotes; *provided, however*, that if such Note is a Global

Note and the Depositary thereof requires a mandatory exchange or other procedure to cause such Global Note to be identified by “unrestricted” CUSIP and ISIN numbers in the facilities of such Depositary, then (i) the Company will effect such exchange or procedure as soon as reasonably practicable and (ii) for purposes of Section 3.04 and the definition of Freely Tradeable, such Global Note will not be deemed to be identified by “unrestricted” CUSIP and ISIN numbers until such time as such exchange or procedure is effective.

SECTION 2.13. REPLACEMENT NOTES.

If a Holder of any Note claims that such Note has been mutilated, lost, destroyed or wrongfully taken, then the Company will issue, execute and deliver, and the Trustee will authenticate, in each case in accordance with **Section 2.02**, a replacement Note upon surrender to the Trustee of such mutilated Note, or upon delivery to the Trustee of evidence of such loss, destruction or wrongful taking satisfactory to the Trustee and the Company. In the case of a lost, destroyed or wrongfully taken Note, the Company and the Trustee may require the Holder thereof to provide such security or indemnity that is reasonably satisfactory to the Company and the Trustee to protect the Company and the Trustee from any loss that any of them may suffer if such Note is replaced.

Every replacement Note issued pursuant to this **Section 2.13** will be an additional obligation of the Company and will be entitled to all of the benefits of this Indenture equally and ratably with all other Notes issued under this Indenture.

SECTION 2.14. REGISTERED HOLDERS; CERTAIN RIGHTS WITH RESPECT TO GLOBAL NOTES.

Only the Holder of a Note will have rights under this Indenture as the owner of such Note. Without limiting the generality of the foregoing, Depositary Participants will have no rights as such under this Indenture with respect to any Global Note held on their behalf by the Depositary or its nominee, or by the Trustee as its custodian, and the Company, the Trustee and the Note Agents, and their respective agents, may treat the Depositary as the absolute owner of such Global Note for all purposes whatsoever; *provided, however*, that (A) the Holder of any Global Note may grant proxies and otherwise authorize any Person, including Depositary Participants and Persons that hold interests in Notes through Depositary Participants, to take any action that such Holder is entitled to take with respect to such Global Note under this Indenture or the Notes; and (B) the Company and the Trustee, and their respective agents, may give effect to any written certification, proxy or other authorization furnished by the Depositary.

SECTION 2.15. CANCELLATION.

Without limiting the generality of **Section 3.09**, the Company may at any time deliver Notes to the Trustee for cancellation. The Registrar, the Paying Agent and the Conversion Agent will forward to the Trustee each Note duly surrendered to them for transfer, exchange, payment or conversion. The Trustee will promptly cancel all Notes so surrendered to it in accordance with its customary procedures. The Company may not originally issue new Notes to replace Notes that it has paid or that have been cancelled upon transfer, exchange, payment or conversion.

SECTION 2.16. NOTES HELD BY THE COMPANY OR ITS AFFILIATES.

Without limiting the generality of **Section 3.09**, in determining whether the Holders of the required aggregate principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or any of its Affiliates will be deemed not to be outstanding; *provided, however*, that, for purposes of determining whether the Trustee is protected in relying on any such direction, waiver or consent, only Notes that the Trustee knows are so owned will be so disregarded.

SECTION 2.17. TEMPORARY NOTES.

Until definitive Notes are ready for delivery, the Company may issue, execute and deliver, and the Trustee will authenticate, in each case in accordance with **Section 2.02**, temporary Notes. Temporary Notes will be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes. The Company will promptly prepare, issue, execute and deliver, and the Trustee will authenticate, in each case in accordance with **Section 2.02**, definitive Notes in exchange for temporary Notes. Until so exchanged, each temporary Note will in all respects be entitled to the same benefits under this Indenture as definitive Notes.

SECTION 2.18. OUTSTANDING NOTES.

(A) *Generally.* The Notes that are outstanding at any time will be deemed to be those Notes that, at such time, have been duly executed and authenticated, excluding those Notes (or portions thereof) that have theretofore been (i) cancelled by the Trustee or delivered to the Trustee for cancellation in accordance with **Section 2.15**; (ii) assigned a principal amount of zero by notation on the “Schedule of Exchanges of Interests in the Global Note” forming part of any a Global Note representing such Note; (iii) paid in full in accordance with this Indenture; or (iv) deemed to cease to be outstanding to the extent provided in, and subject to, **clause (B), (C) or (D)** of this **Section 2.18**.

(B) *Replaced Notes.* If a Note is replaced pursuant to **Section 2.13**, then such Note will cease to be outstanding at the time of its replacement, unless the Trustee and the Company receive proof reasonably satisfactory to them that such Note is held by a “*bona fide* purchaser” under applicable law.

(C) *Maturing Notes and Notes Called for Redemption or Subject to Repurchase.* If, on a Redemption Date, a Fundamental Change Repurchase Date or the Maturity Date, the Paying Agent holds money sufficient to pay the aggregate Redemption Price, Fundamental Change Repurchase Price or principal amount, respectively, together, in each case, with the aggregate interest, in each case due on such date, then (unless there occurs a Default in the payment of any such amount) (i) the Notes (or portions thereof) to be redeemed or repurchased, or that mature, on such date will be deemed, as of such date, to cease to be outstanding, except to the extent provided in **Sections 4.02(D), 4.03(F) or 5.02(D)**; and (ii) the rights of the Holders of such Notes (or such portions thereof), as such, will terminate with respect to such Notes (or such portions thereof), other than the right to receive the Redemption Price, Fundamental Change Repurchase Price or principal amount, as applicable, of, and accrued and unpaid interest on, such Notes (or such portions thereof), in each case as provided in this Indenture.

(D) *Notes to Be Converted.* At the Close of Business on the Conversion Date for any Note (or any portion thereof) to be converted, such Note (or such portion) will (unless there occurs a Default in the delivery of the Conversion Consideration or interest due, pursuant to **Section 5.03(B)** or **Section 5.02(D)**, upon such conversion) be deemed to cease to be outstanding, except to the extent provided in **Section 5.02(D)** or **Section 5.08**.

(E) *Cessation of Accrual of Interest.* Except as provided in **Sections 4.02(D)**, **4.03(F)** or **5.02(D)**, interest will cease to accrue on each Note from, and including, the date that such Note is deemed, pursuant to this **Section 2.18**, to cease to be outstanding, unless there occurs a default in the payment or delivery of any cash or other property due on such Note.

SECTION 2.19. REPURCHASES BY THE COMPANY.

Without limiting the generality of **Section 2.15**, the Company may, from time to time, repurchase Notes in open market purchases or in negotiated transactions without delivering prior notice to Holders.

SECTION 2.20. CUSIP AND ISIN NUMBERS.

Subject to **Section 2.12**, the Company may use one or more CUSIP or ISIN numbers to identify any of the Notes, and, if so, the Company and the Trustee will use such CUSIP or ISIN number(s) in notices to Holders; *provided, however*, that (i) the Trustee makes no representation as to the correctness or accuracy of any such CUSIP or ISIN number; and (ii) the effectiveness of any such notice will not be affected by any defect in, or omission of, any such CUSIP or ISIN number. The Company will promptly notify the Trustee of any change in the CUSIP or ISIN number(s) identifying any Notes. Prior to the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have different CUSIP numbers. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have the same CUSIP or ISIN number, as applicable.

Article 3. COVENANTS

SECTION 3.01. PAYMENT ON NOTES.

(A) *Generally.* The Company will pay or cause to be paid all the principal of, the Fundamental Change Repurchase Price and Redemption Price for, interest on, and other amounts due with respect to, the Notes on the dates and in the manner set forth in this Indenture.

(B) *Deposit of Funds.* Before 11:00 A.M., New York City time, on each Redemption Date, Fundamental Change Repurchase Date or Interest Payment Date, and on the Maturity Date or any other date on which any cash amount is due on the Notes, the Company will deposit, or will cause there to be deposited, with the Paying Agent cash, in funds immediately available on such date, sufficient to pay the cash amount due on the applicable Notes on such date. The Paying Agent will return to the Company, as soon as practicable, any money not required for such purpose.

SECTION 3.02. EXCHANGE ACT REPORTS.

(A) *Generally.* The Company will send to the Trustee copies of all reports that the Company is required to file with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act within fifteen (15) calendar days after the date that the Company is required to file the same (after giving effect to all applicable grace periods under the Exchange Act); *provided, however*, that the Company need not send to the Trustee any material for which the Company has received, or is seeking in good faith and has not been denied, confidential treatment by the SEC. Any report that the Company files with the SEC through the EDGAR system (or any successor thereto) will be deemed to be sent to the Trustee at the time such report is so filed via the EDGAR system (or such successor).

(B) *Trustee's Disclaimer.* The Trustee need not determine whether the Company has filed any material via the EDGAR system (or such successor). The sending or filing of reports pursuant to **Section 3.02(A)** will not be deemed to constitute actual or constructive notice to the Trustee of any information contained, or determinable from information contained, therein, including the Company's compliance with any of its covenants under this Indenture, as to which the Trustee is entitled to conclusively rely on Officer's Certificates of the Company.

SECTION 3.03. RULE 144A INFORMATION.

If the Company is not subject to Section 13 or 15(d) of the Exchange Act at any time when any Notes or Conversion Shares are outstanding and constitute "restricted securities" (as defined in Rule 144), then the Company (or its successor) will promptly provide, to the Trustee and, upon written request, to any Holder, beneficial owner or prospective purchaser of such Notes or Conversion Shares, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to facilitate the resale of such Notes or Conversion Shares pursuant to Rule 144A. The Company (or its successor) will take such further action as any Holder or beneficial owner of such Notes or Conversion Shares may reasonably request to enable such Holder or beneficial owner to sell such Notes or Conversion Shares pursuant to Rule 144A.

SECTION 3.04. ADDITIONAL INTEREST.

(A) *Accrual of Additional Interest.* Additional Interest will accrue on a Note on each day on which such Note is not Freely Tradable on or after the De-Legending Deadline Date of such Note. For the avoidance of doubt, Additional Interest shall not accrue prior to March 8, 2021.

(B) *Amount and Payment of Additional Interest.* Any Additional Interest that accrues on a Note pursuant to **Section 3.04(A)** will be payable on the same dates and in the same manner as the Stated Interest on such Note and will accrue at a rate per annum equal to one quarter of one percent (0.25%) of the principal amount thereof for the first ninety (90) days on which Additional Interest accrues and, thereafter, at a rate per annum equal to one half of one percent (0.50%) of the principal amount thereof; *provided, however*, that in no event will Additional Interest that accrues pursuant to **Section 3.04(A)**, together with any Special Interest that accrues as a result of a Reporting Event of Default, accrue on any day on a Note at a combined rate per annum that exceeds one half of one percent (0.50%). For the avoidance of doubt, any Additional Interest that accrues on a Note will be in addition to the Stated Interest that accrues on such Note and, subject to the proviso of the immediately preceding sentence, in addition to any Special Interest that accrues on such Note.

(C) *Notice of Accrual of Additional Interest; Trustee's Disclaimer.* The Company will send notice to the Holder of each Note, and to the Trustee, of the commencement and termination of any period in which Additional Interest accrues on such Note. In addition, if Additional Interest accrues on any Note, then, no later than five (5) Business Days before each date on which such Additional Interest is to be paid, the Company will deliver an Officer's Certificate to the Trustee and the Paying Agent stating (i) that the Company is obligated to pay Additional Interest on such Note on such date of payment; and (ii) the amount of such Additional Interest that is payable on such date of payment. The Trustee will have no duty to determine whether any Additional Interest is payable or the amount thereof.

(D) The accrual of Additional Interest will be the exclusive remedy available to Holders for the failure of their Notes to become Freely Tradable.

SECTION 3.05. ADDITIONAL AMOUNTS.

(A) *Requirement to Pay Additional Amounts.* All payments and deliveries made by, or on behalf of, the Company under or with respect to the Notes (including payment of the principal of, or the Redemption Price or Fundamental Change Repurchase Price for, or any interest on, or the delivery of any Conversion Consideration due upon conversion of, any Note) will be made without withholding or deduction for, or on account of, any present or future Taxes, unless such withholding or deduction is required by law or regulation or by governmental policy having the force of law. If any Taxes levied by or on behalf of any jurisdiction (or any political subdivision or taxing authority thereof or therein) in which the Company or any Successor Corporation is, for tax purposes, organized or resident or doing or deemed by such jurisdiction to be doing business or through which payment or delivery is made or deemed to be made (each such jurisdiction, subdivision or authority, as applicable, a "**Relevant Taxing Jurisdiction**") are required to be withheld or deducted from any payments or deliveries made under or with respect to the Notes, then, subject to **Section 4.03(C)(ii)**, the Company or such Successor Corporation, as applicable, will pay to the Holder of each Note such additional amounts (the "**Additional Amounts**") as may be necessary to ensure that the net amount received by the beneficial owner of such Note after such withholding or deduction (and after withholding or deducting any Taxes on the Additional Amounts) will equal the amounts that would have been received by such beneficial owner had no such withholding or deduction been required; *provided, however*, that such obligation to pay Additional Amounts will not apply to:

(i) any Tax that would not have been imposed but for:

(1) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Taxing Jurisdiction (other than merely holding or being a beneficial owner of such Note or the receipt or enforcement of payments or deliveries thereunder), including such Holder or beneficial owner being or having been a national, domiciliary or resident, or treated as a resident, of, or being or having been physically present or engaged in a trade or business, or having had a permanent establishment, in, such Relevant Taxing Jurisdiction;

(2) in cases where presentation of such Note is required to receive such payment or delivery, the presentation of such Note after a period of thirty (30) days after the later of (x) the date on which such payment or delivery became due and payable or deliverable, as applicable, pursuant to the terms of this Indenture and (y) the date such payment or delivery was made or duly provided for, except, in each case, to the extent that such Holder or beneficial owner would have been entitled to Additional Amounts if it presented such Note for payment or delivery, as applicable, at the end of such thirty (30) day period; or

(3) the failure of such Holder or beneficial owner to comply with a timely request from the Company or the Successor Corporation, addressed to such Holder or beneficial owner, to (x) provide certification, information, documentation or other evidence concerning such Holder's or beneficial owner's nationality, residence, identity or connection with such Relevant Taxing Jurisdiction; or (y) make any declaration or satisfy any other reporting requirement relating to such matters, in each case if and to the extent that such Holder or beneficial owner is legally entitled without material burden to comply with such request and due and timely compliance with such request is required by statute, regulation or administrative practice of such Relevant Taxing Jurisdiction in order to reduce or eliminate such withholding or deduction;

(ii) any estate, inheritance, gift, sale, transfer, personal property or similar Tax;

(iii) any tax that is payable other than by withholding or deduction from payments or deliveries under or with respect to the Notes;

(iv) any withholding or deduction required by (x) sections 1471 through 1474 of the Internal Revenue Code and any current or future U.S. Treasury Regulations or rulings promulgated thereunder ("FATCA"); (y) any inter-governmental agreement between the United States and any other non-U.S. jurisdiction to implement FATCA or any law enacted by such other jurisdiction to give effect to such agreement; or (z) any agreement with the U.S. Internal Revenue Service pursuant to Section 1471(b)(1) of the Internal Revenue Code;

(v) any taxes imposed on or with respect to any payment by the Company to such Holder if such Holder is a fiduciary, partnership or person other than the sole beneficial owner of such payment, to the extent that such payment would be required, under the laws of such Relevant Taxing Jurisdiction, to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary, a partner or member of such partnership, or a beneficial owner, who would not have been entitled to such Additional Amounts had such beneficiary, settlor, partner, member or beneficial owner been the Holder thereof; or

(vi) any combination of items referred to in the preceding **clauses (i) through (v)**, inclusive, above.

(B) *Tax Receipts.* If the Company is required to make any deduction or withholding from any payments or deliveries with respect to the Notes, then the (i) Company will deliver to the Trustee official tax receipts (or, if, after expending reasonable efforts, the Company is unable to obtain such receipts, other evidence of payments) evidencing the remittance to the relevant tax authorities of the amounts so withheld or deducted; and (ii) the Company will provide a copy of such receipts or evidence, as applicable, to any Holder or beneficial owner of any Notes upon request.

(C) *Interpretation of Indenture and Notes.* All references in this Indenture or the Notes to any payment on, or delivery with respect to, the Notes (including payment of the principal of, or the Redemption Price or Fundamental Change Repurchase Price for, or any interest on, or the delivery of any Conversion Consideration due upon conversion of, any Note) will, to the extent that Additional Amounts are payable in respect thereof, be deemed to include the payment of such Additional Amounts.

(D) *Survival of Obligations.* The obligations set forth in this **Section 3.05** will survive any transfer of Notes by a Holder or any transfer by a beneficial owner of its Notes.

SECTION 3.06. COMPLIANCE AND DEFAULT CERTIFICATES.

(A) *Annual Compliance Certificate.* Within one hundred and twenty (120) days after the end of each calendar year, the Company will deliver an Officer's Certificate to the Trustee stating (i) that the signatory thereto has supervised a review of the activities of the Company and its Subsidiaries during such calendar year with a view towards determining whether any Default or Event of Default has occurred during such calendar year; and (ii) whether, to such signatory's knowledge, a Default or Event of Default has occurred during the previous year or is continuing (and, if so, describing all such Defaults or Events of Default and what action the Company is taking or proposes to take with respect thereto).

(B) *Default Certificate.* If a Default or Event of Default occurs, then the Company will promptly, and no later than 30 days thereafter, deliver an Officer's Certificate to the Trustee describing the same and what action the Company is taking or proposes to take with respect thereto.

SECTION 3.07. STAY, EXTENSION AND USURY LAWS.

To the extent that it may lawfully do so, the Company (A) agrees that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law (wherever or whenever enacted or in force) that may affect the covenants or the performance of this Indenture; and (B) expressly waives all benefits or advantages of any such law and agrees that it will not, by resort to any such law, hinder, delay or impede the execution of any power granted to the Trustee by this Indenture, but will suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 3.08. EXISTENCE.

Subject to **Article 6**, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

SECTION 3.09. RESTRICTION ON ACQUISITION OF NOTES BY THE COMPANY AND ITS AFFILIATES.

The Company will promptly deliver to the Trustee for cancellation all Notes that the Company or any of its Subsidiaries have purchased or otherwise acquired.

Article 4. REPURCHASE AND REDEMPTION

SECTION 4.01. NO SINKING FUND.

No sinking fund is required to be provided for the Notes.

SECTION 4.02. RIGHT OF HOLDERS TO REQUIRE THE COMPANY TO REPURCHASE NOTES UPON A FUNDAMENTAL CHANGE.

(A) *Right of Holders to Require the Company to Repurchase Notes Upon a Fundamental Change.* Subject to the other terms of this **Section 4.02**, if a Fundamental Change occurs, then each Holder will have the right (the “**Fundamental Change Repurchase Right**”) to require the Company to repurchase such Holder’s Notes (or any portion thereof in an Authorized Denomination) on the Fundamental Change Repurchase Date for such Fundamental Change for a cash purchase price equal to the Fundamental Change Repurchase Price.

(B) *Repurchase Prohibited in Certain Circumstances.* If the principal amount of the Notes has been accelerated and such acceleration has not been rescinded on or before the Fundamental Change Repurchase Date for a Repurchase Upon Fundamental Change (including as a result of the payment of the related Fundamental Change Repurchase Price, and any related interest pursuant to the proviso to **Section 4.02(D)**, on such Fundamental Change Repurchase Date), then (i) the Company may not repurchase any Notes pursuant to this **Section 4.02**; and (ii) the Company will cause any Notes theretofore surrendered for such Repurchase upon Fundamental Change to be returned to the Holders thereof (or, if applicable with respect to Global Notes, cancel any instructions for book-entry transfer to the Company, the Trustee or the Paying Agent of the applicable beneficial interest in such Notes in accordance with the Depositary Procedures).

(C) *Fundamental Change Repurchase Date.* The Fundamental Change Repurchase Date for any Fundamental Change will be a Business Day of the Company’s choosing that is no more than thirty five (35), nor less than twenty (20), Business Days after the date the Company sends the related Fundamental Change Notice pursuant to **Section 4.02(E)**.

(D) *Fundamental Change Repurchase Price.* (i) The Fundamental Change Repurchase Price for any Note to be repurchased upon a Repurchase Upon Change of Control Fundamental Change shall be an amount in cash equal to 150% of the principal amount of such Note, plus unpaid interest on such Note to, and including, the Maturity Date, and (ii) the Fundamental Change Repurchase Price for any Note to be repurchased upon a Repurchase Upon Other Fundamental Change shall be an amount in cash equal to 100% of the principal amount of such Note, plus unpaid interest on such Note to, and including, the Maturity Date; *provided, however*, that in the case of each of clauses (i) and (ii) above, if such Fundamental Change Repurchase Date is after a Regular Record Date and on or before the next Interest Payment Date, then (a) the Holder of such Note at

the Close of Business on such Regular Record Date will be entitled, notwithstanding such Repurchase Upon Fundamental Change, to receive, on or, at the Company's election, before such Interest Payment Date, the unpaid interest that would have accrued on such Note to, but excluding, such Interest Payment Date (assuming, solely for these purposes, that such Note remained outstanding through such Interest Payment Date, if such Fundamental Change Repurchase Date is before such Interest Payment Date); and (b) the Fundamental Change Repurchase Price will not include accrued and unpaid interest on such Note to, but excluding, such Interest Payment Date, but will include unpaid interest on such Note from and including such Interest Payment Date to, and including, the Maturity Date. For the avoidance of doubt, if an Interest Payment Date is not a Business Day within the meaning of **Section 2.05(C)** and such Fundamental Change Repurchase Date occurs on the Business Day immediately after such Interest Payment Date, then (x) accrued and unpaid interest on Notes to, but excluding, such Interest Payment Date will be paid, in accordance with **Section 2.05(C)**, on the next Business Day to Holders as of the Close of Business on the immediately preceding Regular Record Date; and (y) the Fundamental Change Repurchase Price will include interest on Notes to be repurchased from, and including, such Interest Payment Date to, and including, the Maturity Date.

(E) *Fundamental Change Notice.* On or before the tenth (10th) calendar day after the occurrence of a Fundamental Change, the Company will send to each Holder, the Trustee and the Paying Agent a notice of such Fundamental Change (a "**Fundamental Change Notice**").

Such Fundamental Change Notice must state:

- (i) briefly, the events causing such Fundamental Change;
- (ii) the effective date of such Fundamental Change;
- (iii) the procedures that a Holder must follow to require the Company to repurchase its Notes pursuant to this **Section 4.02**, including the deadline for exercising the Fundamental Change Repurchase Right and the procedures for submitting and withdrawing a Fundamental Change Repurchase Notice;
- (iv) the Fundamental Change Repurchase Date for such Fundamental Change;
- (v) the Fundamental Change Repurchase Price per \$1,000 principal amount of Notes for such Fundamental Change (and, if such Fundamental Change Repurchase Date is after a Regular Record Date and on or before the next Interest Payment Date, the amount, manner and timing of the interest payment payable pursuant to the proviso to **Section 4.02(D)**);
- (vi) the name and address of the Paying Agent and the Conversion Agent;
- (vii) the Conversion Rate in effect on the date of such Fundamental Change Notice and a description and quantification of any adjustments to the Conversion Rate that may result from such Fundamental Change (including pursuant to **Section 5.07**);

(viii) that Notes for which a Fundamental Change Repurchase Notice has been duly tendered and not duly withdrawn must be delivered to the Paying Agent for the Holder thereof to be entitled to receive the Fundamental Change Repurchase Price;

(ix) that Notes (or any portion thereof) that are subject to a Fundamental Change Repurchase Notice that has been duly surrendered for Repurchase Upon Fundamental Change may be converted only if such Fundamental Change Repurchase Notice is withdrawn in accordance with this Indenture; and

(x) the CUSIP and ISIN numbers, if any, of the Notes.

Neither the failure to deliver a Fundamental Change Notice nor any defect in a Fundamental Change Notice will limit the Fundamental Change Repurchase Right of any Holder or otherwise affect the validity of any proceedings relating to any Repurchase Upon Fundamental Change.

(F) *Procedures to Exercise the Fundamental Change Repurchase Right.*

(i) *Delivery of Fundamental Change Repurchase Notice and Notes to Be Repurchased.* To exercise its Fundamental Change Repurchase Right for a Note following a Fundamental Change, the Holder thereof must deliver to the Paying Agent:

(1) before the Close of Business on the Business Day immediately before the related Fundamental Change Repurchase Date (or such later time as may be required by law), a duly completed, written Fundamental Change Repurchase Notice with respect to such Note; and

(2) such Note, duly endorsed for transfer (if such Note is a Physical Note) or by book-entry transfer (if such Note is a Global Note).

The Paying Agent will promptly deliver to the Company a copy of each Fundamental Change Repurchase Notice that it receives.

(ii) *Contents of Fundamental Change Repurchase Notices.* Each Fundamental Change Repurchase Notice with respect to a Note must state:

(1) if such Note is a Physical Note, the certificate number of such Note;

(2) the principal amount of such Note to be repurchased, which must be an Authorized Denomination; and

(3) that such Holder is exercising its Fundamental Change Repurchase Right with respect to such principal amount of such Note; *provided, however*, that if such Note is a Global Note, then such Fundamental Change Repurchase Notice must comply with the Depositary Procedures (and any such Fundamental Change Repurchase Notice delivered in compliance with the Depositary Procedures will be deemed to satisfy the requirements of this **Section 4.02(F)**).

(iii) *Withdrawal of Fundamental Change Repurchase Notice.* A Holder that has delivered a Fundamental Change Repurchase Notice with respect to a Note may withdraw such Fundamental Change Repurchase Notice by delivering a written notice of withdrawal to the Paying Agent at any time before the Close of Business on the Business Day immediately before the related Fundamental Change Repurchase Date. Such withdrawal notice must state:

- (1) if such Note is a Physical Note, the certificate number of such Note;
- (2) the principal amount of such Note to be withdrawn, which must be an Authorized Denomination; and
- (3) the principal amount of such Note, if any, that remains subject to such Fundamental Change Repurchase Notice, which must be an Authorized Denomination;

provided, however, that if such Note is a Global Note, then such withdrawal notice must comply with the Depositary Procedures (and any such withdrawal notice delivered in compliance with the Depositary Procedures will be deemed to satisfy the requirements of this **Section 4.02(F)**).

Upon receipt of any such withdrawal notice with respect to a Note (or any portion thereof), the Paying Agent will (x) promptly deliver a copy of such withdrawal notice to the Company; and (y) if such Note is surrendered to the Paying Agent, cause such Note (or such portion thereof in accordance with **Section 2.11**, treating such Note as having been then surrendered for partial repurchase in the amount set forth in such withdrawal notice as remaining subject to repurchase) to be returned to the Holder thereof (or, if applicable with respect to any Global Note, cancel any instructions for book-entry transfer to the Company, the Trustee or the Paying Agent of the applicable beneficial interest in such Note in accordance with the Depositary Procedures).

(G) *Payment of the Fundamental Change Repurchase Price.* Without limiting the Company's obligation to deposit the Fundamental Change Repurchase Price within the time proscribed by **Section 3.01(B)**, the Company will cause the Fundamental Change Repurchase Price for a Note (or portion thereof) to be repurchased pursuant to a Repurchase Upon Fundamental Change to be paid to the Holder thereof on or before the later of (i) the applicable Fundamental Change Repurchase Date; and (ii) the date (x) such Note is delivered to the Paying Agent (in the case of a Physical Note) or (y) the Depositary Procedures relating to the repurchase, and the delivery to the Paying Agent, of such Holder's beneficial interest in such Note to be repurchased are complied with (in the case of a Global Note). For the avoidance of doubt, interest payable pursuant to the proviso to **Section 4.02(D)** on any Note to be repurchased pursuant to a Repurchase Upon Fundamental Change must be paid pursuant to such proviso regardless of whether such Note is delivered or such Depositary Procedures are complied with pursuant to the first sentence of this **Section 4.02(G)**.

(H) *Third Party May Conduct Repurchase Offer In Lieu of the Company.* Notwithstanding anything to the contrary in this **Section 4.02**, the Company will be deemed to satisfy its obligations under this **Section 4.02** if one or more third parties conduct any Repurchase Upon Fundamental Change and related offer to repurchase Notes otherwise required by this **Section 4.02** in a manner that would have satisfied the requirements of this **Section 4.02** if conducted directly by the Company; *provided* that, if such third party does not accept such Note or fails to timely deliver such Fundamental Change Repurchase Price, then the Company will be responsible for delivering such Fundamental Change Repurchase Price in the manner and at the time provided in this **Section 4.02** without regard to this **Section 4.02(H)**.

(I) *Reserved.*

(J) *Compliance with Applicable Securities Laws.* To the extent applicable, the Company will comply, in all material respects, with all federal and state securities laws in connection with a Repurchase Upon Fundamental Change (including complying with Rules 13e-4 and 14e-1 under the Exchange Act and filing any required Schedule TO, to the extent applicable) so as to permit effecting such Repurchase Upon Fundamental Change in the manner set forth in this Indenture; *provided, however*, that, to the extent that the Company's obligations pursuant to this **Section 4.02** conflict with any law or regulation that is applicable to the Company and enacted after the Issue Date, the Company's compliance with such law or regulation will not be considered to be a default of such obligations.

(K) *Repurchase in Part.* Subject to the terms of this **Section 4.02**, Notes may be repurchased pursuant to a Repurchase Upon Fundamental Change in part, but only in Authorized Denominations. Provisions of this **Section 4.02** applying to the repurchase of a Note in whole will equally apply to the repurchase of a permitted portion of a Note.

SECTION 4.03. RIGHT OF THE COMPANY TO REDEEM THE NOTES.

(A) *No Right to Redeem Before February 5, 2024.* The Company may not redeem the Notes at its option at any time before February 5, 2024, except pursuant to a Tax Redemption.

(B) *Right to Redeem the Notes on or After February 5, 2024.* Subject to the terms of this **Section 4.03**, the Company has the right, at its election, to redeem all, but not less than all, of the Notes, at any time, on a Redemption Date on or after February 5, 2024 and on or before the thirty-fifth (35th) Scheduled Trading Day immediately before the Maturity Date, for a cash purchase price equal to the Redemption Price.

(C) *Right to Redeem the Notes After a Change in Tax Law.*

(i) *Generally.* Subject to the terms of this **Section 4.03**, and without limiting the Company's right to redeem any Notes pursuant to **Section 4.03(B)**, the Company has the right, at its election, to redeem all, but not less than all, of the Notes, at any time, on a Redemption Date before the Maturity Date, for a cash purchase price equal to the Redemption Price, but only if (i) the Company has (or, on the next Interest Payment Date, would) become obligated to pay any Additional Amounts to Holders as a result of any Change in Tax Law; (ii) the Company cannot avoid such obligation by taking reasonable measures available to the Company; and (iii) the Company delivers to the Trustee (1) an Opinion of Counsel from outside legal counsel of recognized standing in the Relevant Taxing Jurisdiction attesting to clause (i) above; and (2) an Officer's Certificate attesting to clauses (i) and (ii) above. For the avoidance of doubt, the calling the Notes for a Tax Redemption will constitute a Make-Whole Fundamental Change pursuant to **clause (B)** of the definition thereof.

(ii) *Tax Redemption Opt-Out Election.* If the Company calls the Notes for a Tax Redemption, then, notwithstanding anything to the contrary in this **Section 4.03** or in **Section 3.05**, but subject to the Depositary's Procedures in the case of Global Notes, each Holder will have the right to elect (a "**Tax Redemption Opt-Out Election**") not to have such Holder's Notes (or any portion thereof in an Authorized Denomination) redeemed pursuant to such Tax Redemption, in which case, from and after the Redemption Date for such Tax Redemption (or, if the Company fails to pay the Redemption Price due on such Redemption Date in full, from and after such time as the Company pays such Redemption Price in full), the Company will no longer have any obligation to pay any Additional Amounts with respect to such Notes solely as a result of such Change in Tax Law, and all future payments with respect to such Notes (other than any Conversion Consideration) will be subject to the deduction or withholding of such Relevant Taxing Jurisdiction's taxes required by law to be deducted or withheld as a result of such Change in Tax Law (it being understood, for the avoidance of doubt, that that if such Holder converts such Notes at any time, then the Company will be obligated to pay Additional Amounts, if any, with respect to such conversion).

(1) *Tax Redemption Opt-Out Notice.* To make a Tax Redemption Opt-Out Election with respect to any Note (or any portion thereof in an Authorized Denomination), the Holder of such Note must deliver a notice (a "**Tax Redemption Opt-Out Election Notice**") to the Paying Agent before the Close of Business on the second Business Day immediately before the related Redemption Date, which notice must state: (x) if such Note is a Physical Note, the certificate number of such Note; (y) the principal amount of such Note as to which the Tax Redemption Opt-Out Election will apply, which must be an Authorized Denomination; and (z) that such Holder is making a Tax Redemption Opt-Out Election with respect to such Note (or such portion thereof); *provided, however*, that if such Note is a Global Note, then such notice must comply with the Depositary Procedures (and any such notice delivered in compliance with the Depositary Procedures will be deemed to satisfy the requirements of this **Section 4.03(C)(ii)(1)**).

(2) *Withdrawal of Tax Redemption Opt-Out Election Notice.* A Holder that has delivered a Tax Redemption Opt-Out Election Notice with respect to any Note (or any portion thereof in an Authorized Denomination) may withdraw such Tax Redemption Opt-Out Election Notice by delivering a withdrawal notice to the Paying Agent at any time before the Close of Business on the second Business Day immediately before the related Redemption Date, which withdrawal notice must state: (x) if such Note is a Physical Note, the certificate number of such Note; (y) the principal amount of such Note as to which the Tax Redemption Opt-Out Election is being withdrawn, which must be an Authorized Denomination; and (z) that such Holder is withdrawing the Tax Redemption Opt-Out Election with respect to such Note (or such portion thereof); *provided, however*, that if such Note is a Global Note, then such withdrawal notice must comply with the Depositary Procedures (and any such withdrawal notice delivered in compliance with the Depositary Procedures will be deemed to satisfy the requirements of this **Section 4.03(C)(ii)(2)**).

(iii) *Right to Convert Not Affected.* For the avoidance of doubt, a Tax Redemption will not affect any Holder's right to convert any Notes and the Company's obligation to pay any Additional Amounts with respect to such conversion up to, but excluding, the Redemption Date.

(D) *Redemption Prohibited in Certain Circumstances.* If the principal amount of the Notes has been accelerated and such acceleration has not been rescinded on or before the Redemption Date (including as a result of the payment of the related Redemption Price, and any related interest pursuant to the proviso to **Section 4.03(F)**, on such Redemption Date), then (i) the Company may not call for Redemption or otherwise redeem any Notes pursuant to this **Section 4.03**; and (ii) the Company will cause any Notes theretofore surrendered for such Redemption to be returned to the Holders thereof (or, if applicable with respect to Global Notes, cancel any instructions for book-entry transfer to the Company, the Trustee or the Paying Agent of the applicable beneficial interests in such Notes in accordance with the Depositary Procedures).

(E) *Redemption Date.* The Redemption Date for any Redemption will be a Business Day of the Company's choosing that is no more than sixty (60), nor less than forty (40), Scheduled Trading Days after the Redemption Notice Date for such Redemption; *provided, however*, that if, in accordance with **Section 5.03(A)(iii)**, the Company has elected to settle all conversions of Notes with a Conversion Date that occurs on or after such Redemption Notice Date and on or before the second (2nd) Business Day immediately before the Redemption Date by Physical Settlement, then the Company may instead elect to choose a Redemption Date that is a Business Day no more than sixty (60), nor less than thirty (30), calendar days after such Redemption Notice Date.

(F) *Redemption Price.* The Redemption Price for any Note called for Redemption is an amount in cash equal to 165% of the principal amount of such Note plus accrued and unpaid interest on such Note to, but excluding, the Redemption Date for such Redemption; *provided, however*, that if such Redemption Date is after a Regular Record Date and on or before the next Interest Payment Date, then (i) the Holder of such Note at the Close of Business on such Regular Record Date will be entitled, notwithstanding such Redemption, to receive, on or, at the Company's election, before such Interest Payment Date, the unpaid interest that would have accrued on such Note to, but excluding, such Interest Payment Date (assuming, solely for these purposes, that such Note remained outstanding through such Interest Payment Date, if such Redemption Date is before such Interest Payment Date); and (ii) the Redemption Price will not include accrued and unpaid interest on such Note to, but excluding, such Redemption Date. For the avoidance of doubt, if an Interest Payment Date is not a Business Day within the meaning of **Section 2.05(C)** and such Redemption Date occurs on the Business Day immediately after such Interest Payment Date, then (x) accrued and unpaid interest on Notes to, but excluding, such Interest Payment Date will be paid, in accordance with **Section 2.05(C)**, on the next Business Day to Holders at of the Close of Business on the immediately preceding Regular Record Date; and (y) the Redemption Price will include interest on Notes to be redeemed from, and including, such Interest Payment Date.

(G) *Redemption Notice.* To call any Notes for Redemption, the Company must (x) send to each applicable Holder of such Notes, the Trustee and the Paying Agent a written notice of such Redemption (a "**Redemption Notice**").

Such Redemption Notice must state:

- (i) that such Notes have been called for Redemption, briefly describing the Company's Redemption right under this Indenture;
- (ii) the Redemption Date for such Redemption;
- (iii) the Redemption Price per \$1,000 principal amount of Notes for such Redemption (and, if the Redemption Date is after a Regular Record Date and on or before the next Interest Payment Date, the amount, manner and timing of the interest payment payable pursuant to the proviso to **Section 4.03(F)**);
- (iv) the name and address of the Paying Agent and the Conversion Agent;
- (v) that Notes called for Redemption may be converted at any time before the Close of Business on the second (2nd) Business Day immediately before the Redemption Date (or, if the Company fails to pay the Redemption Price due on such Redemption Date in full, at any time until such time as the Company pays such Redemption Price in full);
- (vi) the Conversion Rate in effect on the Redemption Notice Date for such Redemption and a description and quantification of any adjustments to the Conversion Rate that may result from such Redemption (including pursuant to **Section 5.07**); and
- (vii) the CUSIP and ISIN numbers, if any, of such Notes.

On or before the Redemption Notice Date, the Company will send a copy of such Redemption Notice to the Trustee and the Paying Agent.

(H) *Special Requirement for Notice of Tax Redemption.* A Redemption Notice relating to a Tax Redemption must be sent pursuant to **Section 4.03(G)** no earlier than one hundred and eighty (180) calendar days before the earliest date on which the Company would have been required to make the related payment or withholding (assuming a payment in respect of the Notes were then due), and the obligation to pay Additional Amounts must be in effect as of the date the Company sends such Redemption Notice and must be expected to remain in effect at the time of the next payment or delivery in respect of the Notes.

(I) *Payment of the Redemption Price.* Without limiting the Company's obligation to deposit the Redemption Price by the time proscribed by **Section 3.01(B)**, the Company will cause the Redemption Price for a Note (or portion thereof) subject to Redemption to be paid to the Holder thereof on or before the applicable Redemption Date. For the avoidance of doubt, interest payable pursuant to the proviso to **Section 4.03(F)** on any Note subject to Redemption must be paid pursuant to such proviso.

Article 5. CONVERSION

SECTION 5.01. RIGHT TO CONVERT.

(A) *Generally.* Subject to the provisions of this **Article 5**, each Holder may, at its option, convert such Holder's Notes into Conversion Consideration.

(B) *Conversions in Part.* Subject to the terms of this Indenture, Notes may be converted in part, but only in Authorized Denominations. Provisions of this **Article 5** applying to the conversion of a Note in whole will equally apply to conversions of a permitted portion of a Note.

(C) *When Notes May Be Converted.* A Holder may convert its Notes at any time until the Close of Business on the second (2nd) Scheduled Trading Day immediately before the Maturity Date.

(D) *Limitations and Closed Periods.* Notwithstanding anything to the contrary in this Indenture or the Notes:

(i) Notes may be surrendered for conversion only after the Open of Business and before the Close of Business on a day that is a Business Day;

(ii) in no event may any Note be converted after the Close of Business on the second (2nd) Scheduled Trading Day immediately before the Maturity Date;

(iii) if the Company calls the Notes for Redemption pursuant to **Section 4.03**, then the Holders of such Notes may not convert such Notes after the Close of Business on the second (2nd) Business Day immediately before the applicable Redemption Date, except to the extent the Company fails to pay the Redemption Price for such Note in accordance with this Indenture; and

(iv) if a Fundamental Change Repurchase Notice is validly delivered pursuant to **Section 4.02(F)** with respect to any Note, then such Note may not be converted, except to the extent (a) such Note is not subject to such notice; (b) such notice is withdrawn in accordance with **Section 4.02(F)**; or (c) the Company fails to pay the Fundamental Change Repurchase Price for such Note in accordance with this Indenture.

SECTION 5.02. CONVERSION PROCEDURES.

(A) *Generally.*

(i) *Global Notes.* To convert a beneficial interest in a Global Note that is convertible pursuant to **Section 5.01(C)**, the owner of such beneficial interest must (1) comply with the Depositary Procedures for converting such beneficial interest (at which time such conversion will become irrevocable); and (2) pay any amounts due pursuant to **Section 5.02(D)** or **Section 5.02(E)**. To the extent that the Depositary Procedures do not permit conversion through the Depositary, then the holder of a beneficial interest in a Global Note shall comply with the requirements in **Section 5.02(A)(ii)**.

(ii) *Physical Notes.* To convert all or a portion of a Physical Note that is convertible pursuant to **Section 5.01(C)**, the Holder of such Note must (1) complete, manually sign and deliver to the Conversion Agent the conversion notice attached to such Physical Note or a facsimile of such conversion notice; (2) deliver such Physical Note to the Conversion Agent (at which time such conversion will become irrevocable); (3) furnish any endorsements and transfer documents that the Company or the Conversion Agent may require; and (4) pay any amounts due pursuant to **Section 5.02(D)** or **Section 5.02(E)**.

(B) *Effect of Converting a Note.* At the Close of Business on the Conversion Date for a Note (or any portion thereof), such Note (or such portion thereof) will be deemed to cease to be outstanding (and, for the avoidance of doubt, no Person will be deemed to be a Holder of such Note (or such portion thereof) as of the Close of Business on such Conversion Date), except to the extent provided in **Section 5.02(D)**.

(C) *Holder of Record of Conversion Shares.* The Person in whose name any Ordinary Share is issuable upon conversion of any Note will be deemed to become the holder of record of such share as of the Close of Business on (i) the Conversion Date for such conversion, in the case of Physical Settlement; or (ii) the last VWAP Trading Day of the Observation Period for such conversion, in the case of Combination Settlement.

(D) *Interest Payable upon Conversion in Certain Circumstances.* If the Conversion Date of a Note is after a Regular Record Date and before the next Interest Payment Date, then (i) the Holder of such Note at the Close of Business on such Regular Record Date will be entitled, notwithstanding such conversion (and, for the avoidance of doubt, notwithstanding anything set forth in the proviso to this sentence), to receive, on or, at the Company's election, before such Interest Payment Date, the unpaid interest that would have accrued on such Note to, but excluding, such Interest Payment Date (assuming, solely for these purposes, that such Note remained outstanding through such Interest Payment Date); and (ii) the Holder surrendering such Note for conversion must deliver to the Conversion Agent, at the time of such surrender, an amount of cash equal to the amount of such interest referred to in clause (i) above; *provided, however,* that the Holder surrendering such Note for conversion need not deliver such cash (v) if the Company has specified a Redemption Date that is after such Regular Record Date and on or before the second (2nd) Business Day immediately after such Interest Payment Date; (w) if such Conversion Date occurs after the Regular Record Date immediately before the Maturity Date; (x) if the Company has specified a Fundamental Change Repurchase Date that is after such Regular Record Date and on or before the Business Day immediately after such Interest Payment Date; or (y) to the extent of any overdue interest or interest that has accrued on any overdue interest. For the avoidance of doubt, as a result of, and without limiting the generality of, the foregoing, if a Note is converted with a Conversion Date that is after the Regular Record Date immediately before the Maturity Date, then the Company will pay, as provided above, the interest that would have accrued on such Note to, but excluding, the Maturity Date. For the avoidance of doubt, if the Conversion Date of a Note to be converted is on an Interest Payment Date, then the Holder of such Note at the Close of Business on the Regular Record Date immediately before such Interest Payment Date will be entitled to receive, on such Interest Payment Date, the unpaid interest that has accrued on such Note to, but excluding, such Interest Payment Date, and such Note, when surrendered for conversion, need not be accompanied by any cash amount pursuant to the first sentence of this **Section 5.02(D)**.

(E) *Taxes and Duties.* If a Holder converts a Note, the Company will pay any documentary, stamp or similar issue or transfer tax or duty due on the issue or delivery of any Ordinary Shares upon such conversion; *provided, however*, that if any tax or duty is due because such Holder requested such shares to be registered in a name other than such Holder's name, then such Holder will pay such tax or duty and, until having received a sum sufficient to pay such tax or duty, the Conversion Agent may refuse to deliver any such shares to be issued in a name other than that of such Holder.

(F) *Conversion Agent to Notify Company of Conversions.* If any Note is submitted for conversion to the Conversion Agent or the Conversion Agent receives any notice of conversion with respect to a Note, then the Conversion Agent will promptly (and, in any event, no later than the 10 a.m. (New York City time) one Business Day after the Conversion Agent receives such Note or notice) notify the Company and the Trustee of such occurrence, together with any other information reasonably requested by the Company, and will cooperate with the Company to determine the Conversion Date for such Note.

SECTION 5.03. SETTLEMENT UPON CONVERSION.

(A) *Settlement Method.* Upon the conversion of any Note, the Company will settle such conversion by paying or delivering, as applicable and as provided in this **Article 5**, either (x) Ordinary Shares, together, if applicable, with cash in lieu of fractional shares as provided in **Section 5.03(B)(i)(1)** (a "**Physical Settlement**"); (y) solely cash as provided in **Section 5.03(B)(i)(2)** (a "**Cash Settlement**"); or (z) a combination of cash and Ordinary Shares, together, if applicable, with cash in lieu of fractional shares as provided in **Section 5.03(B)(i)(3)** (a "**Combination Settlement**").

The Company will have the right to elect the Settlement Method applicable to any conversion of a Note; *provided, however*, that:

(i) all conversions of Notes with a Conversion Date that occurs on or after September 30, 2025 will be settled using Cash Settlement;

(ii) if the Company elects a Settlement Method with respect to the conversion of any Note whose Conversion Date occurs before September 30, 2025, then the Company will send notice of such Settlement Method to the Holder of such Note, the Trustee and the Conversion Agent no later than the Close of Business on the Business Day immediately after such Conversion Date;

(iii) the Company will use the same Settlement Method for all conversions of Notes with a Conversion Date that occurs on the same day (and, for the avoidance of doubt, the Company will not be obligated to use the same Settlement Method with respect to conversions of Notes whose Conversion Dates occur on different days, except as provided in **clause (i)** above);

(iv) if the Company does not timely elect a Settlement Method with respect to the conversion of a Note, then the Company will be deemed to have elected the Default Settlement Method (and, for the avoidance of doubt, the failure to timely make such election will not constitute a Default or Event of Default);

(v) if the Company timely elects Combination Settlement with respect to the conversion of a Note but does not timely notify the Holder of such Note, the Trustee and the Conversion Agent of the applicable Specified Dollar Amount, then the Specified Dollar Amount for such conversion will be deemed to be \$1,000 per \$1,000 principal amount of Notes (and, for the avoidance of doubt, the failure to timely send such notification will not constitute a Default or Event of Default); and

(vi) the Settlement Method will be subject to **Section 5.09(A)(2)**.

(B) *Conversion Consideration.*

(i) *Generally.* Subject to **Section 5.03(B)(ii)** and **Section 5.03(B)(iii)**, the type and amount of consideration (the “**Conversion Consideration**”) due in respect of each \$1,000 principal amount of a Note to be converted will be as follows:

(1) if Physical Settlement applies to such conversion, a number of Ordinary Shares equal to the Conversion Rate in effect on the Conversion Date for such conversion;

(2) if Cash Settlement applies to such conversion, cash in an amount equal to the sum of the Daily Conversion Values for each VWAP Trading Day in the Observation Period for such conversion; or

(3) if Combination Settlement applies to such conversion, consideration consisting of (a) a number of Ordinary Shares equal to the sum of the Daily Share Amounts for each VWAP Trading Day in the Observation Period for such conversion; and (b) an amount of cash equal to the sum of the Daily Cash Amounts for each VWAP Trading Day in such Observation Period.

(ii) *Cash in Lieu of Fractional Shares.* If Physical Settlement or Combination Settlement applies to the conversion of any Note and the number of Ordinary Shares deliverable pursuant to **Section 5.03(B)(i)** upon such conversion is not a whole number, then such number will be rounded down to the nearest whole number and the Company will deliver, in addition to the other consideration due upon such conversion, cash in lieu of the related fractional share in an amount equal to the product of (1) such fraction and (2) (x) the Daily VWAP on the Conversion Date for such conversion (or, if such Conversion Date is not a VWAP Trading Day, the immediately preceding VWAP Trading Day), in the case of Physical Settlement; or (y) the Daily VWAP on the last VWAP Trading Day of the Observation Period for such conversion, in the case of Combination Settlement.

(iii) *Conversion of Multiple Notes by a Single Holder.* If a Holder converts more than one (1) Note on a single Conversion Date, then the Conversion Consideration due in respect of such conversion will (in the case of any Global Note, to the extent permitted by, and practicable under, the Depositary Procedures) be computed based on the total principal amount of Notes converted on such Conversion Date by such Holder.

(iv) *Notice of Calculation of Conversion Consideration.* If Cash Settlement or Combination Settlement applies to the conversion of any Note, then the Company will determine the Conversion Consideration due thereupon promptly following the last VWAP Trading Day of the applicable Observation Period and will promptly thereafter send notice to the Trustee and the Conversion Agent of the same and the calculation thereof in reasonable detail. Neither the Trustee nor the Conversion Agent will have any duty to make or verify any such determination.

(C) *Delivery of the Conversion Consideration.* Except as set forth in **Sections 5.05(A), 5.05(D)** and **5.09**, the Company will pay or deliver, as applicable, the Conversion Consideration due upon the conversion of any Note to the Holder as follows: (i) if Cash Settlement or Combination Settlement applies to such conversion, on or before the second (2nd) Business Day immediately after the last VWAP Trading Day of the Observation Period for such conversion; and (ii) if Physical Settlement applies to such conversion, on or before the second (2nd) Business Day immediately after the Conversion Date for such conversion; *provided, however*, that if Physical Settlement applies to the conversion of any Note with a Conversion Date that is after the Regular Record Date immediately before the Maturity Date, then, solely for purposes of such conversion, (x) the Company will pay or deliver, as applicable, the Conversion Consideration due upon such conversion no later than the Maturity Date (or, if the Maturity Date is not a Business Day, the next Business Day); and (y) the Conversion Date will instead be deemed to be the second (2nd) Scheduled Trading Day immediately before the Maturity Date. If any Note is converted and the Conversion Date occurs on or before the Regular Record Date immediately before the Maturity Date and not during a Make-Whole Fundamental Change Conversion Period, then, solely for purposes of this **Section 5.03(C)**, a day on which banking institutions in the Cayman Islands or the United Kingdom are authorized or required by law or executive order to close or be closed will be deemed not to be a “Business Day.”

(D) *Deemed Payment of Principal and Interest; Settlement of Accrued Interest Notwithstanding Conversion.* If a Holder converts a Note, then the Company will not adjust the Conversion Rate to account for any accrued and unpaid interest on such Note, and, except as provided in **Section 5.02(D)**, the Company’s delivery of the Conversion Consideration due in respect of such conversion will be deemed to fully satisfy and discharge the Company’s obligation to pay the principal of, and accrued and unpaid interest, if any, on, such Note to, but excluding the Conversion Date. As a result, except as provided in **Section 5.02(D)**, any accrued and unpaid interest on a converted Note will be deemed to be paid in full rather than cancelled, extinguished or forfeited. In addition, subject to **Section 5.02(D)**, if the Conversion Consideration for a Note consists of both cash and Ordinary Shares, then accrued and unpaid interest that is deemed to be paid therewith will be deemed to be paid first out of such cash.

SECTION 5.04. RESERVE AND STATUS OF ORDINARY SHARES ISSUED UPON CONVERSION.

(A) *Share Reserve.* At all times when any Notes are outstanding, the Company will reserve, out of its authorized, unreserved and not outstanding Ordinary Shares, a number of Ordinary Shares sufficient to permit the conversion of all then-outstanding Notes, assuming (x) Physical Settlement will apply to such conversion; and (y) the Conversion Rate is increased by the maximum amount pursuant to which the Conversion Rate may be increased pursuant to **Section 5.07**.

(B) *Status of Conversion Shares; Listing.* Each Conversion Share, if any, delivered upon conversion of any Note will be a newly issued or treasury share (except that any Conversion Share delivered by a designated financial institution pursuant to **Section 5.08** need not be a newly issued or treasury share) and will be duly and validly issued, fully paid, non-assessable, free from preemptive rights and free of any lien or adverse claim (except to the extent of any lien or adverse claim created by the action or inaction of the Holder of such Note or the Person to whom such Conversion Share will be delivered). If the Ordinary Shares are then listed on any securities exchange, or quoted on any inter-dealer quotation system, then the Company will use commercially reasonable efforts to cause each Conversion Share, when delivered upon conversion of any Note, to be admitted for listing on such exchange or quotation on such system.

SECTION 5.05. ADJUSTMENTS TO THE CONVERSION RATE.

(A) *Events Requiring an Adjustment to the Conversion Rate.* The Conversion Rate will be adjusted from time to time as follows:

(i) *Share Dividends, Splits and Combinations.* If the Company issues solely Ordinary Shares as a dividend or distribution on all or substantially all Ordinary Shares, or if the Company effects a share split or a share combination of the Ordinary Shares (in each case excluding an issuance solely pursuant to a Share Change Event, as to which **Section 5.09** will apply), then the Conversion Rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where:

- CR_0 = the Conversion Rate in effect immediately before the Open of Business on the Ex-Dividend Date for such dividend or distribution, or immediately before the Open of Business on the effective date of such share split or share combination, as applicable;
- CR_1 = the Conversion Rate in effect immediately after the Open of Business on such Ex-Dividend Date or the Open of Business on such effective date, as applicable;
- OS_0 = the number of Ordinary Shares outstanding immediately before the Open of Business on such Ex-Dividend Date or effective date, as applicable, without giving effect to such dividend, distribution, share split or share combination; and
- OS_1 = the number of Ordinary Shares outstanding immediately after giving effect to such dividend, distribution, share split or share combination.

If any dividend or distribution of the type described in this **Section 5.05(A)(i)** is declared, but not so paid, then the Conversion Rate will be readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate that would then be in effect had such dividend or distribution not been declared.

(ii) *Rights, Options and Warrants.* If the Company distributes, to all or substantially all holders of Ordinary Shares, rights, options or warrants (other than rights issued or otherwise distributed pursuant to a shareholder rights plan, as to which the provisions set forth in **Sections 5.05(A)(iii)(1)** and **5.05(F)** will apply) entitling such holders, for a period of not more than sixty (60) calendar days after the date such distribution is announced, to subscribe for or purchase Ordinary Shares at a price per share that is less than the average of the Last Reported Sale Prices per Ordinary Share for the ten (10) consecutive Trading Days ending on, and including, the Trading Day immediately before the date such distribution is announced, then the Conversion Rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS + X}{OS + Y}$$

where:

- CR_0 = the Conversion Rate in effect immediately before the Open of Business on the Ex-Dividend Date for such distribution;
- CR_1 = the Conversion Rate in effect immediately after the Open of Business on such Ex-Dividend Date;
- OS = the number of Ordinary Shares outstanding immediately before the Open of Business on such Ex-Dividend Date;
- X = the total number of Ordinary Shares issuable pursuant to such rights, options or warrants; and
- Y = a number of Ordinary Shares obtained by dividing (x) the aggregate price payable to exercise such rights, options or warrants by (y) the average of the Last Reported Sale Prices per Ordinary Share for the ten (10) consecutive Trading Days ending on, and including, the Trading Day immediately before the date such distribution is announced.

To the extent that Ordinary Shares are not delivered after the expiration of such rights, options or warrants (including as a result of such rights, options or warrants not being exercised), the Conversion Rate will be readjusted to the Conversion Rate that would then be in effect had the increase to the Conversion Rate for such distribution been made on the basis of delivery of only the number of Ordinary Shares actually delivered upon exercise of such rights, option or warrants. To the extent such rights, options or warrants are not so distributed, the Conversion Rate will be readjusted to the Conversion Rate that would then be in effect had the Ex-Dividend Date for the distribution of such rights, options or warrants not occurred.

For purposes of this **Section 5.05(A)(ii)**, in determining whether any rights, options or warrants entitle holders of Ordinary Shares to subscribe for or purchase Ordinary Shares at a price per share that is less than the average of the Last Reported Sale Prices per Ordinary Share for the ten (10) consecutive Trading Days ending on, and including, the Trading Day immediately before the date of the distribution of such rights, options or warrants is announced, and in determining the aggregate price payable to exercise such rights, options or warrants, there will be taken into account any consideration the Company receives for such rights, options or warrants and any amount payable on exercise thereof, with the value of such consideration, if not cash, to be determined in good faith by the Company.

(iii) *Spin-Offs and Other Distributed Property.*

(1) *Distributions Other than Spin-Offs.* If the Company distributes shares of its Capital Stock, evidences of its indebtedness or other assets or property of the Company, or rights, options or warrants to acquire Capital Stock of the Company or other securities, to all or substantially all holders of the Ordinary Shares, excluding:

(v) dividends, distributions, rights, options or warrants for which an adjustment to the Conversion Rate is required (or would be required without regard to **Section 5.05(C)**) pursuant to **Section 5.05(A)(i)** or **5.05(A)(ii)**;

(w) dividends or distributions paid exclusively in cash for which an adjustment to the Conversion Rate is required (or would be required without regard to **Section 5.05(C)**) pursuant to **Section 5.05(A)(iv)**;

(x) rights issued or otherwise distributed pursuant to a shareholder rights plan, except to the extent provided in **Section 5.05(F)**;

(y) Spin-Offs for which an adjustment to the Conversion Rate is required (or would be required without regard to **Section 5.05(C)**) pursuant to **Section 5.05(A)(iii)(2)**; and

(z) a distribution solely pursuant to a Share Change Event, as to which **Section 5.09** will apply,

then the Conversion Rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP}{SP - FMV}$$

where:

- CR0* = the Conversion Rate in effect immediately before the Open of Business on the Ex-Dividend Date for such distribution;
- CR1* = the Conversion Rate in effect immediately after the Open of Business on such Ex-Dividend Date;
- SP* = the average of the Last Reported Sale Prices per Ordinary Share for the ten (10) consecutive Trading Days ending on, and including, the Trading Day immediately before such Ex-Dividend Date; and
- FMV* = the fair market value (as determined by the Company in good faith), as of such Ex-Dividend Date, of the shares of Capital Stock, evidences of indebtedness, assets, property, rights, options or warrants distributed per Ordinary Share pursuant to such distribution;

provided, however, that if *FMV* is equal to or greater than *SP*, then, in lieu of the foregoing adjustment to the Conversion Rate, each Holder will receive, for each \$1,000 principal amount of Notes held by such Holder on the record date for such distribution, at the same time and on the same terms as holders of Ordinary Shares, and without having to convert such Holder's Notes, the amount and kind of shares of Capital Stock, evidences of indebtedness, assets, property, rights, options or warrants that such Holder would have received if such Holder had owned, on such record date, a number of Ordinary Shares equal to the Conversion Rate in effect on such record date.

To the extent such distribution is not so paid or made, the Conversion Rate will be readjusted to the Conversion Rate that would then be in effect had the adjustment been made on the basis of only the distribution, if any, actually made or paid.

For purposes of this **Section 5.05(A)(iii)(1)** (and subject to **Section 5.05(F)**), rights, options or warrants distributed by the Company to all holders of Ordinary Shares entitling them to subscribe for or purchase shares of the Company's Capital Stock, including Ordinary Shares (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events ("**Trigger Event**"): (x) are deemed to be transferred with such Ordinary Shares; (y) are not exercisable; and (z) are also issued in respect of future issuances of Ordinary Shares, will be deemed not to have been distributed for purposes of this **Section 5.05(A)(iii)(1)** (and no adjustment to the Conversion Rate under this **Section 5.05(A)(iii)(1)** will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants will be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate will be made pursuant to this **Section 5.05(A)(iii)(1)**. If any such right, option or warrant, including any such existing rights, options or warrants distributed before the Issue Date, are subject to events, upon the occurrence of which such rights, options or

warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event will be deemed to be the date of distribution and an Ex-Dividend Date with respect to new rights, options or warrants with such rights (in which case, the existing rights, options or warrants will be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate pursuant to this **Section 5.05(A)(iii)(1)** was made, (x) in the case of any such rights, options or warrants that have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (I) the Conversion Rate will be readjusted as if such rights, options or warrants had not been issued; and (II) the Conversion Rate will then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or purchase price received by a holder or holders of Ordinary Shares with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of Ordinary Shares as of the date of such redemption or purchase; and (y) in the case of such rights, options or warrants that have expired or been terminated without exercise by any holders thereof, the Conversion Rate will be readjusted as if such rights, options and warrants had not been issued.

(2) *Spin-Offs*. If the Company distributes or dividends shares of Capital Stock of any class or series, or similar equity interest, of or relating to an Affiliate, a Subsidiary or other business unit of the Company to all or substantially all holders of Ordinary Shares (other than solely pursuant to a Share Change Event, as to which **Section 5.09** will apply), and such Capital Stock or equity interest is listed or quoted (or will be listed or quoted upon the consummation of the transaction) on a U.S. national securities exchange (a “**Spin-Off**”), then the Conversion Rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV + SP}{SP}$$

where:

CR_0 = the Conversion Rate in effect immediately before the Close of Business on the last Trading Day of the Spin-Off Valuation Period for such Spin-Off;

CR_1 = the Conversion Rate in effect immediately after the Close of Business on the last Trading Day of the Spin-Off Valuation Period;

FMV = the product of (x) the average of the Last Reported Sale Prices per share or unit of the Capital Stock or equity interests distributed in such Spin-Off over the ten (10) consecutive Trading Day period (the “**Spin-Off Valuation Period**”) beginning on, and including, the Ex-Dividend Date for such Spin-Off (such average to be determined as if references to Ordinary Shares in the definitions of Last Reported Sale Price, Trading Day and Market Disruption Event were instead references to such Capital Stock or equity interests); and (y) the number of shares or units of such Capital Stock or equity interests distributed per Ordinary Share in such Spin-Off; and

SP = the average of the Last Reported Sale Prices per Ordinary Share for each Trading Day in the Spin-Off Valuation Period.

Notwithstanding anything to the contrary in this **Section 5.05(A)(iii)(2)**, (i) if any VWAP Trading Day of the Observation Period for a Note whose conversion will be settled pursuant to Cash Settlement or Combination Settlement occurs during the Spin-Off Valuation Period for such Spin-Off, then, solely for purposes of determining the Conversion Rate for such VWAP Trading Day for such conversion, such Spin-Off Valuation Period will be deemed to consist of the Trading Days occurring in the period from, and including, the Ex-Dividend Date for such Spin-Off to, and including, such VWAP Trading Day; and (ii) if the Conversion Date for a Note whose conversion will be settled pursuant to Physical Settlement occurs during the Spin-Off Valuation Period for a Spin-Off, then, solely for purposes of determining the Conversion Consideration for such conversion, such Spin-Off Valuation Period will be deemed to consist of the Trading Days occurring in the period from, and including, the Ex-Dividend Date for such Spin-Off to, and including, such Conversion Date.

To the extent any dividend or distribution of the type set forth in this **Section 5.05(A)(iii)(2)** is declared but not made or paid, the Conversion Rate will be readjusted to the Conversion Rate that would then be in effect had the adjustment been made on the basis of only the dividend or distribution, if any, actually made or paid.

(iv) *Cash Dividends or Distributions.* If any cash dividend or distribution is made to all or substantially all holders of Ordinary Shares, then the Conversion Rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP}{SP - D}$$

where:

- CR_0 = the Conversion Rate in effect immediately before the Open of Business on the Ex-Dividend Date for such dividend or distribution;
- CR_1 = the Conversion Rate in effect immediately after the Open of Business on such Ex-Dividend Date;
- SP = the Last Reported Sale Price per Ordinary Share on the Trading Day immediately before such Ex-Dividend Date; and
- D = the cash amount distributed per Ordinary Share in such dividend or distribution;

provided, however, that if D is equal to or greater than SP , then, in lieu of the foregoing adjustment to the Conversion Rate, each Holder will receive, for each \$1,000 principal amount of Notes held by such Holder on the record date for such dividend or distribution, at the same time and on the same terms as holders of Ordinary Shares, and without having to convert such Holder's Notes, the amount of cash that such Holder would have received if such Holder had owned, on such record date, a number of Ordinary Shares equal to the Conversion Rate in effect on such record date.

To the extent such dividend or distribution is declared but not made or paid, the Conversion Rate will be readjusted to the Conversion Rate that would then be in effect had the adjustment been made on the basis of only the dividend or distribution, if any, actually made or paid.

(v) *Tender Offers or Exchange Offers.* If the Company or any of its Subsidiaries makes a payment in respect of a tender offer or exchange offer for Ordinary Shares (other than solely pursuant to an odd-lot tender offer pursuant to Rule 13e-4(h)(5) under the Exchange Act), and the value (determined as of the Expiration Time by the Company in good faith) of the cash and other consideration paid per Ordinary Share in such tender or exchange offer exceeds the Last Reported Sale Price per Ordinary Share on the Trading Day immediately after the last date (the "**Expiration Date**") on which tenders or exchanges may be made pursuant to such tender or exchange offer (as it may be amended), then the Conversion Rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP \times OS_1)}{SP \times OS_0}$$

where:

- CR0* = the Conversion Rate in effect immediately before the Close of Business on the last Trading Day of the Tender/Exchange Offer Valuation Period for such tender or exchange offer;
- CR1* = the Conversion Rate in effect immediately after the Close of Business on the last Trading Day of the Tender/Exchange Offer Valuation Period;
- AC* = the aggregate value (determined as of the time (the “**Expiration Time**”) such tender or exchange offer expires by the Company in good faith) of all cash and other consideration paid for Ordinary Shares purchased in such tender or exchange offer;
- OS0* = the number of Ordinary Shares outstanding immediately before the Expiration Time (before giving effect to the purchase of all Ordinary Shares accepted for purchase or exchange in such tender or exchange offer);
- OS1* = the number of Ordinary Shares outstanding immediately after the Expiration Time (excluding all Ordinary Shares accepted for purchase or exchange in such tender or exchange offer); and
- SP* = the average of the Last Reported Sale Prices per Ordinary Share over the ten (10) consecutive Trading Day period (the “**Tender/Exchange Offer Valuation Period**”) beginning on, and including, the Trading Day immediately after the Expiration Date;

provided, however, that the Conversion Rate will in no event be adjusted down pursuant to this **Section 5.05(A)(v)**, except to the extent provided in the immediately following paragraph. Notwithstanding anything to the contrary in this **Section 5.05(A)(v)**, (i) if any VWAP Trading Day of the Observation Period for a Note whose conversion will be settled pursuant to Cash Settlement or Combination Settlement occurs during the Tender/Exchange Offer Valuation Period for such tender or exchange offer, then, solely for purposes of determining the Conversion Rate for such VWAP Trading Day for such conversion, such Tender/Exchange Offer Valuation Period will be deemed to consist of the Trading Days occurring in the period from, and including, the Trading Day immediately after the Expiration Date for such tender or exchange offer to, and including, such VWAP Trading Day; and (ii) if the Conversion Date for a Note whose conversion will be settled pursuant to Physical Settlement occurs during the Tender/Exchange Offer Valuation Period for such tender or exchange offer, then, solely for purposes of determining the Conversion Consideration for such conversion, such Tender/Exchange Offer Valuation Period will be deemed to consist of the Trading Days occurring in the period from, and including, the Trading Day immediately after the Expiration Date to, and including, such Conversion Date.

To the extent such tender or exchange offer is announced but not consummated (including as a result of the Company being precluded from consummating such tender or exchange offer under applicable law), or any purchases or exchanges of Ordinary Shares in such tender or exchange offer are rescinded, the Conversion Rate will be readjusted to the Conversion Rate that would then be in effect had the adjustment been made on the basis of only the purchases or exchanges of Ordinary Shares, if any, actually made, and not rescinded, in such tender or exchange offer.

(B) *No Adjustments in Certain Cases.*

(i) *Where Holders Participate in the Transaction or Event Without Conversion.* Notwithstanding anything to the contrary in **Section 5.05(A)**, the Company will not be obligated to adjust the Conversion Rate on account of a transaction or other event otherwise requiring an adjustment pursuant to **Section 5.05(A)** (other than a share split or combination of the type set forth in **Section 5.05(A)(i)** or a tender or exchange offer of the type set forth in **Section 5.05(A)(v)**) if each Holder participates, at the same time and on the same terms as holders of Ordinary Shares, and solely by virtue of being a Holder of Notes, in such transaction or event without having to convert such Holder's Notes and as if such Holder held a number of Ordinary Shares equal to the product of (i) the Conversion Rate in effect on the related record date; and (ii) the aggregate principal amount (expressed in thousands) of Notes held by such Holder on such date.

(ii) *Certain Events.* The Company will not be required to adjust the Conversion Rate except as provided in **Section 5.05** or **Section 5.07**. Without limiting the foregoing, the Company will not be obligated to adjust the Conversion Rate on account of:

- (1) except as otherwise provided in **Section 5.05**, the sale of Ordinary Shares for a purchase price that is less than the market price per Ordinary Share or less than the Conversion Price;
- (2) the issuance of any Ordinary Shares pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in Ordinary Shares under any such plan;
- (3) the issuance of any Ordinary Shares or options or rights to purchase Ordinary Shares pursuant to any present or future employee, director or consultant benefit plan or program of, or assumed by, the Company or any of its Subsidiaries;
- (4) the issuance of any Ordinary Shares pursuant to any option, warrant, right or convertible or exchangeable security of the Company outstanding as of the Issue Date;
- (5) solely a change in the par value of the Ordinary Shares; or
- (6) accrued and unpaid interest on the Notes.

(C) *Adjustment Deferral.* If an adjustment to the Conversion Rate otherwise required by this **Article 5** would result in a change of less than one percent (1%) to the Conversion Rate, then, notwithstanding anything to the contrary in this **Article 5**, the Company may, at its election, defer such adjustment, except that all such deferred adjustments must be given effect immediately upon the earliest of the following: (i) when all such deferred adjustments would result in a change of at least one percent (1%) to the Conversion Rate; (ii) the Conversion Date of, or any VWAP Trading Day of an Observation Period for, any Note; (iii) the date a Fundamental Change or Make-Whole Fundamental Change occurs; (iv) the date the Company calls any Notes for Redemption; and (v) September 30, 2025.

(D) *Adjustments Not Yet Effective.* Notwithstanding anything to the contrary in this Indenture or the Notes, if:

- (i) a Note is to be converted and Physical Settlement or Combination Settlement applies to such conversion;
- (ii) the record date, effective date or Expiration Time for any event that requires an adjustment to the Conversion Rate pursuant to **Section 5.05(A)** has occurred on or before the Conversion Date for such conversion (in the case of Physical Settlement) or on or before any VWAP Trading Day in the Observation Period for such conversion (in the case of Combination Settlement), but an adjustment to the Conversion Rate for such event has not yet become effective as of such Conversion Date or VWAP Trading Day, as applicable;
- (iii) the Conversion Consideration due upon such conversion (in the case of Physical Settlement) or due in respect of such VWAP Trading Day (in the case of Combination Settlement) includes any whole number of Ordinary Shares; and
- (iv) such shares are not entitled to participate in such event (because they were not held on the related record date or otherwise),

then, solely for purposes of such conversion, the Company will, without duplication, give effect to such adjustment on such Conversion Date (in the case of Physical Settlement) or such VWAP Trading Day (in the case of Combination Settlement). In such case, if the date on which the Company is otherwise required to deliver the consideration due upon such conversion is before the first date on which the amount of such adjustment can be determined, then the Company will delay the settlement of such conversion until the second (2nd) Business Day after such first date.

(E) *Conversion Rate Adjustments where Converting Holders Participate in the Relevant Transaction or Event.* Notwithstanding anything to the contrary in this Indenture or the Notes, if:

- (i) a Conversion Rate adjustment for any dividend or distribution becomes effective on any Ex-Dividend Date pursuant to **Section 5.05(A)**;
- (ii) a Note is to be converted and Physical Settlement or Combination Settlement applies to such conversion;

(iii) the Conversion Date for such conversion (in the case of Physical Settlement) or any VWAP Trading Day in the Observation Period for such conversion (in the case of Combination Settlement) occurs on or after such Ex-Dividend Date and on or before the related record date;

(iv) the Conversion Consideration due upon such conversion (in the case of Physical Settlement) or due with respect to such VWAP Trading Day (in the case of Combination Settlement) includes any whole number of Ordinary Shares based on a Conversion Rate that is adjusted for such dividend or distribution; and

(v) such shares would be entitled to participate in such dividend or distribution (including pursuant to **Section 5.02(C)**),

then (x) in the case of Physical Settlement, such Conversion Rate adjustment will not be given effect for such conversion, and the Ordinary Shares issuable upon such conversion based on such unadjusted Conversion Rate will be entitled to participate in such dividend or distribution; and (y) in the case of Combination Settlement, the Conversion Rate adjustment relating to such Ex-Dividend Date will be made for such conversion in respect of such VWAP Trading Day, but the Ordinary Shares issuable with respect to such VWAP Trading Day based on such adjusted Conversion Rate will not be entitled to participate in such dividend or distribution.

(F) *Shareholder Rights Plans.* If the Company has a shareholder rights plan, relating to the Ordinary Shares, in effect upon any conversion of any Note whose settlement will include any Ordinary Shares, then the Holder of such Note will receive, in addition to those Ordinary Shares, the rights under that shareholder rights plan; *provided, however*, that, if, prior to any conversion, the rights have separated from the Ordinary Shares in accordance with the provisions of the applicable shareholder rights plan, then the Conversion Rate will be adjusted at the time of separation as if the Company distributed, to all or substantially all holders of the Ordinary Shares, shares of the Company's Capital Stock, evidences of indebtedness, assets, property, rights, options or warrants as described in **Section 5.05(A)(iii) (I)**, subject to readjustment in accordance with such Section.

(G) *Limitation on Effecting Transactions Resulting in Certain Adjustments.* The Company will not engage in or be a party to any transaction or event that would require the Conversion Rate to be adjusted pursuant to **Section 5.05(A)** or **Section 5.07** to an amount that would result in the Conversion Price per Ordinary Share being less than the par value per Ordinary Share.

(H) *Equitable Adjustments to Prices.* Whenever any provision of this Indenture requires the Company to calculate the Last Reported Sale Prices, the Daily VWAPs, the Daily Conversion Values, the Daily Cash Amounts or the Daily Share Amounts over a span of multiple days (including over an Observation Period and the period, if any, for determining the Share Price), the Company will, acting in good faith and in a commercially reasonable manner, make appropriate adjustments, if any, to each to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date, effective date or Expiration Date of the event occurs, at any time during the period when the Last Reported Sale Prices, the Daily VWAPs, the Daily Conversion Values, the Daily Cash Amounts or the Daily Share Amounts are to be calculated.

(I) *Calculation of Number of Outstanding Ordinary Shares.* For purposes of **Section 5.05(A)**, the number of Ordinary Shares outstanding at any time will (i) include shares issuable in respect of scrip certificates issued in lieu of fractions of Ordinary Shares; and (ii) exclude Ordinary Shares held in the Company's treasury (unless the Company pays any dividend or makes any distribution on Ordinary Shares held in its treasury).

(J) *Calculations.* All calculations with respect to the Conversion Rate and adjustments thereto will be made to the nearest 1/10,000th of an Ordinary Share (with 5/100,000ths rounded upward).

(K) *Notice of Conversion Rate Adjustments.* Upon the effectiveness of any adjustment to the Conversion Rate pursuant to **Section 5.05(A)**, the Company will promptly send notice to the Holders, the Trustee and the Conversion Agent containing (i) a brief description of the transaction or other event on account of which such adjustment was made; (ii) the Conversion Rate in effect immediately after such adjustment; and (iii) the effective time of such adjustment.

SECTION 5.06. VOLUNTARY ADJUSTMENTS.

(A) *Generally.* To the extent permitted by law and applicable stock exchange rules, the Company, from time to time, may (but is not required to) increase the Conversion Rate by any amount if (i) the Board of Directors determines that such increase is either (x) in the best interest of the Company; or (y) advisable to avoid or diminish any income tax imposed on holders of Ordinary Shares or rights to purchase Ordinary Shares as a result of any dividend or distribution of Ordinary Shares (or rights to acquire such Ordinary Shares) or any similar event; (ii) such increase is in effect for a period of at least twenty (20) Business Days; and (iii) such increase is irrevocable during such period.

(B) *Notice of Voluntary Increases.* If the Board of Directors determines to increase the Conversion Rate pursuant to **Section 5.06(A)**, then, no later than the first Business Day of the related twenty (20) Business Day period referred to **Section 5.06(A)**, the Company will send notice to each Holder of such increase, the amount thereof and the period during which such increase will be in effect.

SECTION 5.07. ADJUSTMENTS TO THE CONVERSION RATE IN CONNECTION WITH A MAKE-WHOLE FUNDAMENTAL CHANGE.

(A) *Generally.* If a Make-Whole Fundamental Change occurs and the Conversion Date for the conversion of a Note occurs during the related Make-Whole Fundamental Change Conversion Period, then, subject to this **Section 5.07**, the Conversion Rate applicable to such conversion will be increased by a number of shares (the "**Additional Shares**") set forth in the table below corresponding (after interpolation as provided in, and subject to, the provisions below) to the Make-Whole Fundamental Change Effective Date and the Share Price of such Make-Whole Fundamental Change:

Make-Whole Fundamental Change Effective Date	Share Price											
	\$9.3754	\$10.00	\$11.00	\$12.25	\$15.00	\$17.50	\$20.00	\$25.00	\$30.00	\$35.00	\$40.00	\$45.00
February 5, 2020	25.03	23.48	20.14	16.95	12.27	9.60	7.76	5.41	4.00	3.07	2.40	1.88
December 31, 2020	25.03	22.49	19.06	15.81	11.15	8.56	6.81	4.65	3.39	2.59	2.01	1.56
December 31, 2021	25.03	20.74	17.23	13.97	9.45	7.02	5.43	3.54	2.51	1.88	1.45	1.11
December 31, 2022	25.03	20.15	14.56	11.43	7.26	5.09	3.69	2.12	1.38	1.00	0.76	0.57
December 31, 2023	25.03	19.56	12.85	9.22	5.01	3.13	1.66	0.02	0.00	0.00	0.00	0.00
December 31, 2024	25.03	18.96	11.66	7.44	3.30	1.96	1.13	0.00	0.00	0.00	0.00	0.00
December 31, 2025	25.03	18.37	9.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

If such Make-Whole Fundamental Change Effective Date or Share Price is not set forth in the table above, then:

(i) if such Share Price is between two Share Prices in the table above or the Make-Whole Fundamental Change Effective Date is between two dates in the table above, then the number of Additional Shares will be determined by a straight-line interpolation between the numbers of Additional Shares set forth for the higher and lower Share Prices in the table and the earlier and later dates in the table above, as applicable, based on a 365- or 366-day year, as applicable; and

(ii) if the Share Price is greater than \$45.00 (subject to adjustment in the same manner as the Share Prices set forth in the column headings of the table above are adjusted pursuant to **Section 5.07(B)**), or less than \$9.3754 (subject to adjustment in the same manner as the Share Prices set forth in the column headings of the table above are adjusted pursuant to **Section 5.07(B)**), per share, then no Additional Shares will be added to the Conversion Rate.

Notwithstanding anything to the contrary in this Indenture or the Notes, in no event will the Conversion Rate be increased to an amount that exceeds 106.66 Ordinary Shares per \$1,000 principal amount of Notes, which amount is subject to adjustment in the same manner as, and at the same time and for the same events for which, the Conversion Rate is required to be adjusted pursuant to **Section 5.05(A)**.

(B) *Adjustment of Share Prices and Additional Shares.* The Share Prices in the first row (*i.e.*, the column headers) of the table set forth in **Section 5.07(A)** will be adjusted in the same manner as, and at the same time and for the same events for which, the Conversion Price is adjusted as a result of the operation of **Section 5.05(A)**. The numbers of Additional Shares in the table set forth in **Section 5.07(A)** will be adjusted in the same manner as, and at the same time and for the same events for which, the Conversion Rate is adjusted pursuant to **Section 5.05(A)**.

(C) *Notice of the Occurrence of a Make-Whole Fundamental Change.* No later than the fifth (5th) Business Day after the effective date of a Make-Whole Fundamental Change, the Company will send notice to the Holders, the Trustee and the Conversion Agent of such transaction and such effective date.

(D) *Settlement of Cash Make-Whole Fundamental Changes.* For the avoidance of doubt, if holders of Ordinary Shares receive solely cash in a Make-Whole Fundamental Change, then, pursuant to **Section 5.09**, conversions of Notes will thereafter be settled no later than the second (2nd) Business Day after the relevant Conversion Date.

SECTION 5.08. EXCHANGE IN LIEU OF CONVERSION.

Notwithstanding anything to the contrary in this **Article 5**, and subject to the terms of this **Section 5.08**, if a Note is submitted for conversion, the Company may elect to arrange to have such Note exchanged in lieu of conversion by a financial institution designated by the Company. To make such election, the Company must send notice of such election to the Holder of such Note, the Trustee and the Conversion Agent before the Close of Business on the Business Day immediately following the Conversion Date for such Note. If the Company has made such election, then:

(A) no later than the Business Day immediately following such Conversion Date, the Company must deliver (or cause the Conversion Agent to deliver) such Note, together with delivery instructions for the Conversion Consideration due upon such conversion (including wire instructions, if applicable), to a financial institution designated by the Company that has agreed to deliver such Conversion Consideration in the manner and at the time the Company would have had to deliver the same pursuant to this **Article 5**;

(B) if such Note is a Global Note, then (i) such designated institution will send written confirmation to the Conversion Agent promptly after wiring the cash Conversion Consideration, if any, and delivering any other Conversion Consideration, due upon such conversion to the Holder of such Note; and (ii) the Conversion Agent will as soon as reasonably practicable thereafter contact such Holder's custodian with the Depository to confirm receipt of the same; and

(C) such Note will not cease to be outstanding by reason of such exchange in lieu of conversion;

provided, however, that if such financial institution does not accept such Note or fails to timely deliver such Conversion Consideration, then the Company will be responsible for delivering such Conversion Consideration in the manner and at the time provided in this **Article 5** as if the Company had not elected to make an exchange in lieu of conversion.

SECTION 5.09. EFFECT OF SHARE CHANGE EVENT.

(A) *Generally*. If there occurs any:

(i) recapitalization, reclassification or change of the Ordinary Shares (other than (w) changes solely resulting from a subdivision or combination of the Ordinary Shares, (x) a change only in par value or from par value to no par value or no par value to par value, (y) share splits and share combinations that do not involve the issuance of any other series or class of securities or (z) the conversion or exchange of any or all of the Company's Class B ordinary shares into Ordinary Shares in one or more transactions);

(ii) consolidation, merger, combination or binding or statutory share exchange involving the Company;

(iii) sale, lease or other transfer of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to any Person; or

(iv) other similar event,

and, as a result of which, Ordinary Shares are converted into, or are exchanged for, or represent solely the right to receive, other securities, cash or other property, or any combination of the foregoing (such an event, a “**Share Change Event**,” and such other securities, cash or property, the “**Reference Property**,” and the amount and kind of Reference Property that a holder of one (1) Ordinary Share would be entitled to receive on account of such Share Change Event (without giving effect to any arrangement not to issue or deliver a fractional portion of any security or other property), a “**Reference Property Unit**”), then, notwithstanding anything to the contrary in this Indenture or the Notes,

(1) from and after the effective time of such Share Change Event, (I) the Conversion Consideration due upon conversion of any Note, and the conditions to any such conversion, will be determined in the same manner as if each reference to any number of Ordinary Shares in this **Article 5** (or in any related definitions) were instead a reference to the same number of Reference Property Units; (II) for purposes of **Section 4.03**, each reference to any number of Ordinary Shares in such Section (or in any related definitions) will instead be deemed to be a reference to the same number of Reference Property Units; and (III) for purposes of the definitions of “Fundamental Change” and “Make-Whole Fundamental Change,” and any related definitions, the terms “Ordinary Shares” and “common equity” will be deemed to mean the common equity (including depositary receipts representing common equity), if any, forming part of such Reference Property;

(2) if such Reference Property Unit consists entirely of cash, then the Company will be deemed to elect Physical Settlement in respect of all conversions whose Conversion Date occurs on or after the effective date of such Share Change Event and will pay the cash due upon such conversions no later than the second (2nd) Business Day after the relevant Conversion Date; and

(3) for these purposes, the Daily VWAP or Last Reported Sale Price of any Reference Property Unit or portion thereof that does not consist of a class of securities will be the fair value of such Reference Property Unit or portion thereof, as applicable, determined in good faith and in a commercially reasonable manner by the Company (or, in the case of cash denominated in U.S. dollars, the face amount thereof).

If the Reference Property consists of more than a single type of consideration to be determined based in part upon any form of shareholder election, then the composition of the Reference Property Unit will be deemed to be the weighted average of the types and amounts of consideration actually received, per Ordinary Share, by the holders of Ordinary Shares. The Company will notify Holders of such weighted average as soon as practicable after such determination is made.

At or before the effective time of such Share Change Event, the Company and the resulting, surviving or transferee Person (if not the Company) of such Share Change Event (the “**Successor Person**”) will execute and deliver to the Trustee a supplemental indenture pursuant to **Section 8.01(F)**, which supplemental indenture will (x) provide for subsequent conversions of Notes in the manner set forth in this **Section 5.09**; (y) provide for subsequent adjustments to the Conversion Rate pursuant to **Section 5.05(A)** in a manner consistent with this **Section 5.09**; and (z) contain such other provisions as the Company determines in good faith and in a commercially reasonable manner are appropriate to preserve the economic interests of the Holders and to give effect to the provisions of this **Section 5.09(A)**. If the Reference Property includes shares of stock or other securities or assets of a Person other than the Successor Person, then such other Person will also execute such supplemental indenture and such supplemental indenture will contain such additional provisions the Company reasonably determines are appropriate to preserve the economic interests of the Holders.

(B) *Notice of Share Change Events.* The Company will send notice of each Share Change Event to Holders no later than the second (2nd) Business Day after the effective date of such Share Change Event.

(C) *Compliance Covenant.* The Company will not become a party to any Share Change Event unless its terms are consistent with this **Section 5.09**.

Article 6. SUCCESSORS

SECTION 6.01. WHEN THE COMPANY MAY MERGE, ETC.

(A) *Generally.* The Company will not consolidate with or merge with or into, or sell, lease or otherwise transfer, in one transaction or a series of transactions, all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to another Person (a “**Business Combination Event**”), unless:

(i) the resulting, surviving or transferee Person either (x) is the Company or (y) if not the Company, is a corporation or limited liability company (that is treated as a corporation for U.S. federal income tax purposes) organized and existing under the laws of the United States of America, any State thereof or the District of Columbia, or an entity treated as a corporation for U.S. federal income tax purposes organized and existing under the laws of the Cayman Islands, the Netherlands, Luxembourg, or the United Kingdom (such corporation or entity, the “**Successor Corporation**”) that expressly assumes (by executing and delivering to the Trustee, at or before the effective time of such Business Combination Event, a supplemental indenture pursuant to **Section 8.01(E)**) all of the Company’s obligations under this Indenture and the Notes (including, for the avoidance of doubt, the obligation to pay Additional Amounts pursuant to **Section 3.05**); and

(ii) immediately after giving effect to such Business Combination Event, no Default or Event of Default will have occurred and be continuing.

(B) *Delivery of Officer's Certificate and Opinion of Counsel to the Trustee.* Before the effective time of any Business Combination Event, the Company will deliver to the Trustee an Officer's Certificate and Opinion of Counsel, each stating that (i) such Business Combination Event (and, if applicable, the related supplemental indenture) comply with **Section 6.01(A)**; and (ii) all conditions precedent to such Business Combination Event provided in this Indenture have been satisfied.

SECTION 6.02. SUCCESSOR CORPORATION SUBSTITUTED.

At the effective time of any Business Combination Event that complies with **Section 6.01**, the Successor Corporation (if not the Company) will succeed to, and may exercise every right and power of, the Company under this Indenture and the Notes with the same effect as if such Successor Corporation had been named as the Company in this Indenture and the Notes, and, except in the case of a lease, the predecessor Company will be discharged from its obligations under this Indenture and the Notes.

SECTION 6.03. EXCLUSION FOR ASSET TRANSFERS WITH WHOLLY OWNED SUBSIDIARIES.

Notwithstanding anything to the contrary in this **Article 6**, this **Article 6** will not apply to any transfer of assets between or among the Company and any one or more of its Wholly Owned Subsidiaries.

Article 7. DEFAULTS AND REMEDIES

SECTION 7.01. EVENTS OF DEFAULT.

(A) *Definition of Events of Default.* “**Event of Default**” means the occurrence of any of the following:

(i) a default in the payment when due (whether at maturity, upon Redemption or Repurchase Upon Fundamental Change or otherwise pursuant to this Indenture or the Investment Agreement) of the principal of, or the Redemption Price (as defined in this Indenture or the Investment Agreement, as applicable) or Fundamental Change Repurchase Price for, any Note;

(ii) a default for thirty (30) consecutive days in the payment when due of interest on any Note (pursuant to this Indenture or the Investment Agreement);

(iii) the Company's failure to deliver, when required by this Indenture, (x) a Fundamental Change Notice or (y) a notice pursuant to **Section 5.07(c)**, if such failure is not cured within five (5) days after its occurrence;

(iv) a default in the Company's obligation to convert a Note in accordance with **Article 5** upon the exercise of the conversion right with respect thereto, if such default is not cured within two (2) Business Days after its occurrence;

(v) a default in the Company's obligations under **Article 6**;

(vi) a default in any of the Company's obligations or agreements under this Indenture or the Notes (other than a default set forth in **clause (i), (ii), (iii), (iv) or (v)** of this **Section 7.01(A)**) where such default is not cured or waived within sixty (60) days after notice to the Company by the Trustee, or to the Company and the Trustee by Holders of at least twenty five percent (25%) of the aggregate principal amount of Notes then outstanding, which notice must specify such default, demand that it be remedied and state that such notice is a "Notice of Default";

(vii) a default by the Company or any of its Significant Subsidiaries with respect to any one or more mortgages, agreements or other instruments under which there is outstanding, or by which there is secured or evidenced, any indebtedness for money borrowed of at least twenty-five million dollars (\$25,000,000) (or its foreign currency equivalent) in the aggregate of the Company or any of its Significant Subsidiaries, whether such indebtedness exists as of the Issue Date or is thereafter created, where such default:

(1) constitutes a failure to pay the principal of such indebtedness when due and payable at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise, in each case after the expiration of any applicable grace period; or

(2) results in such indebtedness becoming or being declared due and payable before its stated maturity,

in each case where such default is not cured or waived within thirty (30) days after notice to the Company by the Trustee or to the Company and the Trustee by Holders of at least twenty five percent (25%) of the aggregate principal amount of Notes then outstanding;

(viii) the Company or any of its Significant Subsidiaries, pursuant to or within the meaning of any Bankruptcy Law, either:

- (1) commences a voluntary case or proceeding;
- (2) consents to the entry of an order for relief against it in an involuntary case or proceeding;
- (3) consents to the appointment of a custodian of it or for any substantial part of its property;
- (4) makes a general assignment for the benefit of its creditors;
- (5) takes any comparable action under any foreign Bankruptcy Law; or
- (6) generally is not paying its debts as they become due; or

- (ix) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that either:
- (1) is for relief against the Company or any of its Significant Subsidiaries in an involuntary case or proceeding;
 - (2) appoints a custodian of the Company or any of its Significant Subsidiaries, or for any substantial part of the property of the Company or any of its Significant Subsidiaries;
 - (3) orders the winding up or liquidation of the Company or any of its Significant Subsidiaries; or
 - (4) grants any similar relief under any foreign Bankruptcy Law,

and, in each case under this **Section 7.01(A)(ix)**, such order or decree remains unstayed and in effect for at least sixty (60) days.

(B) *Cause Irrelevant.* Each of the events set forth in **Section 7.01(A)** will constitute an Event of Default regardless of the cause thereof or whether voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

SECTION 7.02. ACCELERATION.

(A) *Automatic Acceleration in Certain Circumstances.* If an Event of Default set forth in **clause (viii) or (ix) of Section 7.01(A)** occurs with respect to the Company (and not solely with respect to a Significant Subsidiary of the Company), then the principal amount of, and all accrued and unpaid interest on, all of the Notes then outstanding will immediately become due and payable without any further action or notice by any Person.

(B) *Optional Acceleration.* Subject to **Section 7.03**, if an Event of Default (other than an Event of Default set forth in **clause (viii) or (ix) of Section 7.01(A)** with respect to the Company and not solely with respect to a Significant Subsidiary of the Company) occurs and is continuing, then the Trustee, by notice to the Company, or Holders of at least twenty five percent (25%) of the aggregate principal amount of Notes then outstanding, by notice to the Company and the Trustee, may declare the principal amount of, and all accrued and unpaid interest on, all of the Notes then outstanding to become due and payable immediately.

(C) *Rescission of Acceleration.* Notwithstanding anything to the contrary in this Indenture or the Notes, the Holders of a majority in aggregate principal amount of the Notes then outstanding, by notice to the Company and the Trustee, may, on behalf of all Holders, rescind any acceleration of the Notes and its consequences if (i) such rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and (ii) all existing Events of Default (except the non-payment of principal of, or interest on, the Notes that has become due solely because of such acceleration) have been cured or waived. No such rescission will affect any subsequent Default or impair any right consequent thereto.

SECTION 7.03.**SOLE REMEDY FOR A FAILURE TO REPORT.**

(A) *Generally.* Notwithstanding anything to the contrary in this Indenture or the Notes, the Company may elect that the sole remedy for any Event of Default (a “**Reporting Event of Default**”) pursuant to **Section 7.01(A)(vi)** arising from the Company’s failure to comply with **Section 3.02** will, for each of the first three hundred and sixty five (365) calendar days on which a Reporting Event of Default has occurred and is continuing, consist exclusively of the accrual of Special Interest on the Notes. If the Company has made such an election, then (i) the Notes will be subject to acceleration pursuant to **Section 7.02** on account of the relevant Reporting Event of Default from, and including, the three hundred and sixty sixth (366th) calendar day on which a Reporting Event of Default has occurred and is continuing or if the Company fails to pay any accrued and unpaid Special Interest when due; and (ii) Special Interest will cease to accrue on any Notes from, and including, such three hundred and sixty sixth (366th) calendar day (it being understood that interest on any defaulted Special Interest will nonetheless accrue pursuant to **Section 2.05(B)**).

(B) *Amount and Payment of Special Interest.* Any Special Interest that accrues on a Note pursuant to **Section 7.03(A)** will be payable on the same dates and in the same manner as the Stated Interest on such Note and will accrue at a rate per annum equal to one quarter of one percent (0.25%) of the principal amount thereof for the first one hundred and eighty (180) days on which Special Interest accrues and, thereafter, at a rate per annum equal to one half of one percent (0.50%) of the principal amount thereof; *provided, however,* that in no event will Special Interest payable at the Company’s election in connection with a Reporting Event of Default, together with any Additional Interest, accrue on any day on a Note at a combined rate per annum that exceeds one half of one percent (0.50%). For the avoidance of doubt, any Special Interest that accrues on a Note will be in addition to the Stated Interest that accrues on such Note and, subject to the proviso of the immediately preceding sentence, in addition to any Additional Interest that accrues on such Note.

(C) *Notice of Election.* To make the election set forth in **Section 7.03(A)**, the Company must send to the Holders, the Trustee and the Paying Agent, before the date on which each Reporting Event of Default first occurs, a notice that (i) briefly describes the report(s) that the Company failed to file with the SEC; (ii) states that the Company is electing that the sole remedy for such Reporting Event of Default consist of the accrual of Special Interest; and (iii) briefly describes the periods during which and rate at which Special Interest will accrue and the circumstances under which the Notes will be subject to acceleration on account of such Reporting Event of Default.

(D) *Notice to Trustee and Paying Agent; Trustee’s Disclaimer.* If Special Interest accrues on any Note, then, no later than five (5) Business Days before each date on which such Special Interest is to be paid, the Company will deliver an Officer’s Certificate to the Trustee and the Paying Agent stating (i) that the Company is obligated to pay Special Interest on such Note on such date of payment; and (ii) the amount of such Special Interest that is payable on such date of payment. The Trustee will have no duty to determine or verify whether any Special Interest is payable or the amount thereof.

(E) *No Effect on Other Events of Default.* No election pursuant to this **Section 7.03** with respect to a Reporting Event of Default will affect the rights of any Holder with respect to any other Event of Default, including with respect to any other Reporting Event of Default.

SECTION 7.04. OTHER REMEDIES.

(A) *Trustee May Pursue All Remedies.* If an Event of Default occurs and is continuing, then the Trustee may pursue any available remedy to collect the payment of any amounts due with respect to the Notes or to enforce the performance of any provision of this Indenture or the Notes.

(B) *Procedural Matters.* The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in such proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy following an Event of Default will not impair the right or remedy or constitute a waiver of, or acquiescence in, such Event of Default. All remedies will be cumulative to the extent permitted by law.

SECTION 7.05. WAIVER OF PAST DEFAULTS.

An Event of Default pursuant to **clause (i), (ii), (iv) or (vi) of Section 7.01(A)** (that, in the case of **clause (vi)** only, results from a Default under any covenant that cannot be amended without the consent of each affected Holder), and a Default that could lead to such an Event of Default, can be waived only with the consent of each affected Holder. Each other Default or Event of Default may be waived, on behalf of all Holders, by the Holders of a majority in aggregate principal amount of the Notes then outstanding. If an Event of Default is so waived, then it will cease to exist. If a Default is so waived, then it will be deemed to be cured and any Event of Default arising therefrom will be deemed not to occur. However, no such waiver will extend to any subsequent or other Default or Event of Default or impair any right arising therefrom.

SECTION 7.06. CONTROL BY MAJORITY.

Holders of a majority in aggregate principal amount of the Notes then outstanding may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law, this Indenture or the Notes, or that, subject to **Section 10.01**, the Trustee determines may be unduly prejudicial to the rights of other Holders (it being understood that the Trustee has no duty to determine whether such action is prejudicial to any Holder) or may involve the Trustee in liability, unless the Trustee is offered, and if requested, provided security and indemnity satisfactory to the Trustee against any loss, liability or expense to the Trustee that may result from the Trustee's following such direction.

SECTION 7.07. LIMITATION ON SUITS.

No Holder may pursue any remedy with respect to this Indenture or the Notes (except to enforce (x) its rights to receive the principal of, or the Redemption Price or Fundamental Change Repurchase Price for, or interest on, any Notes; or (y) the Company's obligations to convert any Notes pursuant to **Article 5**), unless:

- (A) such Holder has previously delivered to the Trustee notice that an Event of Default is continuing;
- (B) Holders of at least twenty five percent (25%) in aggregate principal amount of the Notes then outstanding deliver a request to the Trustee to pursue such remedy;
- (C) such Holder or Holders offer and, if requested, provide to the Trustee security and indemnity satisfactory to the Trustee against any loss, liability or expense to the Trustee that may result from the Trustee's following such request;
- (D) the Trustee does not comply with such request within sixty (60) calendar days after its receipt of such request and such offer of security or indemnity; and
- (E) during such sixty (60) calendar day period, Holders of a majority in aggregate principal amount of the Notes then outstanding do not deliver to the Trustee a direction that is inconsistent with such request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder. The Trustee will have no duty to determine whether any Holder's use of this Indenture complies with the preceding sentence.

SECTION 7.08. ABSOLUTE RIGHT OF HOLDERS TO INSTITUTE SUIT FOR THE ENFORCEMENT OF THE RIGHT TO RECEIVE PAYMENT AND CONVERSION CONSIDERATION.

Notwithstanding anything to the contrary in this Indenture or the Notes (but without limiting **Section 8.01**), the right of each Holder of a Note to bring suit for the enforcement of any payment or delivery, as applicable, of the principal of, or the Redemption Price or Fundamental Change Repurchase Price for, or any interest on, or the Conversion Consideration due pursuant to **Article 5** upon conversion of, such Note on or after the respective due dates therefor provided in this Indenture and the Notes, will not be impaired or affected without the consent of such Holder.

SECTION 7.09. COLLECTION SUIT BY TRUSTEE.

The Trustee will have the right, upon the occurrence and continuance of an Event of Default pursuant to **clause (i), (ii) or (iv) of Section 7.01(A)**, to recover judgment in its own name and as trustee of an express trust against the Company for the total unpaid or undelivered principal of, or Redemption Price or Fundamental Change Repurchase Price for, or interest on, or Conversion Consideration due pursuant to **Article 5** upon conversion of, the Notes, as applicable, and, to the extent lawful, any Default Interest on any Defaulted Amounts, and such further amounts sufficient to cover the costs and expenses of collection, including compensation provided for in **Section 10.06**.

SECTION 7.10. TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee has the right to (A) file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes) or its creditors or property and (B) collect, receive and distribute any money or other property payable or deliverable on any such claims. Each Holder authorizes any custodian in such proceeding to make such payments to the Trustee, and, if the Trustee consents to the making of such payments directly to the Holders, to pay to the Trustee any amount due to the Trustee for the reasonable compensation, expenses, disbursements and advances of the Trustee, and its agents and counsel, and any other amounts payable to the Trustee pursuant to **Section 10.06**. To the extent that the payment of any such compensation, expenses, disbursements, advances and other amounts out of the estate in such proceeding, is denied for any reason, payment of the same will be secured by a lien on, and will be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding (whether in liquidation or under any plan of reorganization or arrangement or otherwise). Nothing in this Indenture will be deemed to authorize the Trustee to authorize, consent to, accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 7.11. PRIORITIES.

The Trustee will pay or deliver in the following order any money or other property that it collects pursuant to this **Article 7**:

First: to the Trustee and its agents and attorneys for amounts due under **Section 10.06**, including payment of all fees, compensation, expenses and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders for unpaid amounts or other property due on the Notes, including the principal of, or the Redemption Price or Fundamental Change Repurchase Price for, or any interest on, or any Conversion Consideration due upon conversion of, the Notes, ratably, and without preference or priority of any kind, according to such amounts or other property due and payable on all of the Notes; and

Third: to the Company or such other Person as a court of competent jurisdiction directs.

The Trustee may fix a record date and payment date for any payment or delivery to the Holders pursuant to this **Section 7.11**, in which case the Trustee will instruct the Company to, and the Company will, deliver, at least fifteen (15) calendar days before such record date, to each Holder and the Trustee a notice stating such record date, such payment date and the amount of such payment or nature of such delivery, as applicable.

SECTION 7.12. UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or the Notes or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court, in its discretion, may (A) require the filing by any litigant party in such suit of an undertaking to pay the costs of such suit, and (B) assess reasonable costs (including reasonable attorneys' fees) against any litigant party in such suit, having due regard to the merits and good faith of the claims or defenses made by such litigant party; *provided, however*, that this **Section 7.12** does not apply to any suit by the Trustee, any suit by a Holder pursuant to **Section 7.08** or any suit by one or more Holders of more than ten percent (10%) in aggregate principal amount of the Notes then outstanding.

Article 8. AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 8.01. WITHOUT THE CONSENT OF HOLDERS.

Notwithstanding anything to the contrary in **Section 8.02**, the Company and the Trustee may amend or supplement this Indenture or the Notes without the consent of any Holder to:

- (A) cure any ambiguity or correct any omission, defect or inconsistency in this Indenture or the Notes that does not adversely affect Holders;
- (B) add guarantees with respect to the Company's obligations under this Indenture or the Notes;
- (C) secure the Notes;
- (D) add to the Company's covenants or Events of Default for the benefit of the Holders or surrender any right or power conferred on the Company;
- (E) provide for the assumption of the Company's obligations under this Indenture and the Notes pursuant to, and in compliance with, **Article 6**;
- (F) enter into supplemental indentures pursuant to, and in accordance with, **Section 5.09** in connection with a Share Change Event;
- (G) irrevocably elect or eliminate any Settlement Method or Specified Dollar Amount, subject to **Section 5.03(A)(i)**; *provided, however*, that no such election or elimination will affect any Settlement Method theretofore elected (or deemed to be elected) with respect to any Note pursuant to **Section 5.03(A)**;
- (H) evidence or provide for the acceptance of the appointment, under this Indenture, of a successor Trustee;
- (I) comply with any requirement of the SEC in connection with any qualification of this Indenture or any supplemental indenture under the Trust Indenture Act, as then in effect; or
- (J) make any other change to this Indenture or the Notes that does not, individually or in the aggregate with all other such changes, adversely affect the rights of the Holders, as such, in any material respect.

SECTION 8.02. WITH THE CONSENT OF HOLDERS.

(A) *Generally.* Subject to **Sections 8.01, 7.05 and 7.08** and the immediately following sentence, the Company and the Trustee may, with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, amend or supplement this Indenture or the Notes or waive compliance with any provision of this Indenture or the Notes. Notwithstanding anything to the contrary in the foregoing sentence, but subject to **Section 8.01**, without the consent of each affected Holder, no amendment or supplement to this Indenture or the Notes, or waiver of any provision of this Indenture or the Notes, may:

- (i) reduce the principal, or extend the stated maturity, of any Note;
- (ii) reduce the Redemption Price or Fundamental Change Repurchase Price for any Note or change the times at which, or the circumstances under which, the Notes may or will be redeemed or repurchased by the Company;
- (iii) reduce the rate, or extend the time for the payment, of interest on any Note;
- (iv) make any change that adversely affects the conversion rights of any Note;
- (v) impair the rights of any Holder set forth in **Section 7.08** (as such section is in effect on the Issue Date);
- (vi) change the ranking of the Notes;
- (vii) make any Note payable in money, or at a Place of Payment, other than that stated in this Indenture or the Note;
- (viii) make any direct or indirect change to **Section 3.05** in any manner that is adverse to the rights of the Holders;
- (ix) reduce the amount of Notes whose Holders must consent to any amendment, supplement, waiver or other modification; or
- (x) make any direct or indirect change to any amendment, supplement, waiver or modification provision of this Indenture or the Notes that requires the consent of each affected Holder.

For the avoidance of doubt, pursuant to **clauses (i), (ii), (iii) and (iv)** of this **Section 8.02(A)**, no amendment or supplement to this Indenture or the Notes, or waiver of any provision of this Indenture or the Notes, may change the amount or type of consideration due on any Note (whether on an Interest Payment Date, Redemption Date, Fundamental Change Repurchase Date or the Maturity Date or upon conversion, or otherwise), or the date(s) or time(s) such consideration is payable or deliverable, as applicable, without the consent of each affected Holder.

(B) *Holders Need Not Approve the Particular Form of any Amendment.* A consent of any Holder pursuant to this **Section 8.02** need approve only the substance, and not necessarily the particular form, of the proposed amendment, supplement or waiver.

SECTION 8.03. NOTICE OF AMENDMENTS, SUPPLEMENTS AND WAIVERS.

Promptly after any amendment, supplement or waiver pursuant to **Section 8.01** or **8.02** becomes effective, the Company will send to the Holders and the Trustee notice that (A) describes the substance of such amendment, supplement or waiver in reasonable detail and (B) states the effective date thereof. The failure to send, or the existence of any defect in, such notice will not impair or affect the validity of such amendment, supplement or waiver.

SECTION 8.04. REVOCATION, EFFECT AND SOLICITATION OF CONSENTS; SPECIAL RECORD DATES; ETC.

(A) *Revocation and Effect of Consents.* The consent of a Holder of a Note to an amendment, supplement or waiver will bind (and constitute the consent of) each subsequent Holder of any Note to the extent the same evidences any portion of the same indebtedness as the consenting Holder's Note, subject to the right of any Holder of a Note to revoke (if not prohibited pursuant to **Section 8.04(B)**) any such consent with respect to such Note by delivering notice of revocation to the Trustee before the time such amendment, supplement or waiver becomes effective.

(B) *Special Record Dates.* The Company may, but is not required to, fix a record date for the purpose of determining the Holders entitled to consent or take any other action in connection with any amendment, supplement or waiver pursuant to this **Article 8**. If a record date is fixed, then, notwithstanding anything to the contrary in **Section 8.04(A)**, only Persons who are Holders as of such record date (or their duly designated proxies) will be entitled to give such consent, to revoke any consent previously given or to take any such action, regardless of whether such Persons continue to be Holders after such record date; *provided, however*, that no such consent will be valid or effective for more than one hundred and twenty (120) calendar days after such record date.

(C) *Solicitation of Consents.* For the avoidance of doubt, each reference in this Indenture or the Notes to the consent of a Holder will be deemed to include any such consent obtained in connection with a repurchase of, or tender or exchange offer for, any Notes.

(D) *Effectiveness and Binding Effect.* Each amendment, supplement or waiver pursuant to this **Article 8** will become effective in accordance with its terms and, when it becomes effective with respect to any Note (or any portion thereof), will thereafter bind every Holder of such Note (or such portion).

SECTION 8.05. NOTATIONS AND EXCHANGES.

If any amendment, supplement or waiver changes the terms of a Note, then the Trustee or the Company may, in its discretion, require the Holder of such Note to deliver such Note to the Trustee so that the Trustee may place an appropriate notation prepared by the Company on such Note and return such Note to such Holder. Alternatively, at its discretion, the Company may, in exchange for such Note, issue, execute and deliver, and the Trustee will authenticate, in each case in accordance with **Section 2.02**, a new Note that reflects the changed terms. The failure to make any appropriate notation or issue a new Note pursuant to this **Section 8.05** will not impair or affect the validity of such amendment, supplement or waiver.

SECTION 8.06. TRUSTEE TO EXECUTE SUPPLEMENTAL INDENTURES.

The Trustee will execute and deliver any amendment or supplemental indenture authorized pursuant to this **Article 8**; *provided, however*, that the Trustee need not (but may, in its sole and absolute discretion) execute or deliver any such amendment or supplemental indenture that adversely affects the Trustee's rights, duties, liabilities or immunities. In executing any amendment or supplemental indenture, the Trustee will be entitled to receive, and (subject to **Sections 10.01** and **10.02**) will be fully protected in relying on, an Officer's Certificate and an Opinion of Counsel conforming to **Section 11.03** and stating that (A) the execution and delivery of such amendment or supplemental indenture is authorized or permitted by this Indenture; and (B) in the case of the Opinion of Counsel, such amendment or supplemental indenture is valid, binding and enforceable against the Company in accordance with its terms.

Article 9. SATISFACTION AND DISCHARGE

SECTION 9.01. TERMINATION OF COMPANY'S OBLIGATIONS.

This Indenture will be discharged, and will cease to be of further effect as to all Notes issued under this Indenture, when:

(A) all Notes then outstanding (other than Notes replaced pursuant to **Section 2.13**) have (i) been delivered to the Trustee for cancellation; or (ii) become due and payable (whether on a Redemption Date, a Fundamental Change Repurchase Date, the Maturity Date, upon conversion or otherwise) for an amount of cash or Conversion Consideration, as applicable, that has been fixed;

(B) the Company has caused there to be irrevocably deposited with the Trustee, or with the Paying Agent (or, with respect to Conversion Consideration, the Conversion Agent), in each case for the benefit of the Holders, or has otherwise caused there to be delivered to the Holders, cash (or, with respect to Notes to be converted, Conversion Consideration) sufficient to satisfy all amounts or other property (including, if applicable, all related Additional Amounts) due on all Notes then outstanding (other than Notes replaced pursuant to **Section 2.13**);

(C) the Company has paid all other amounts payable by it under this Indenture; and

(D) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that the conditions precedent to the discharge of this Indenture have been satisfied;

provided, however, that **Article 10** and **Section 11.01** will survive such discharge and, until no Notes remain outstanding, **Section 2.15** and the obligations of the Trustee, the Paying Agent and the Conversion Agent with respect to money or other property deposited with them will survive such discharge.

At the Company's request, the Trustee will acknowledge the satisfaction and discharge of this Indenture.

SECTION 9.02. REPAYMENT TO COMPANY.

Subject to applicable unclaimed property law, the Trustee, the Paying Agent and the Conversion Agent will promptly notify the Company if there exists (and, at the Company's request, promptly deliver to the Company) any cash, Conversion Consideration or other property held by any of them for payment or delivery on the Notes that remain unclaimed two (2) years after the date on which such payment or delivery was due. After such delivery to the Company, the Trustee, the Paying Agent and the Conversion Agent will have no further liability to any Holder with respect to such cash, Conversion Consideration or other property, and Holders entitled to the payment or delivery of such cash, Conversion Consideration or other property must look to the Company for payment as a general creditor of the Company.

SECTION 9.03. REINSTATEMENT.

If the Trustee, the Paying Agent or the Conversion Agent is unable to apply any cash or other property deposited with it pursuant to **Section 9.01** because of any legal proceeding or any order or judgment of any court or other governmental authority that enjoins, restrains or otherwise prohibits such application, then the discharge of this Indenture pursuant to **Section 9.01** will be rescinded; *provided, however*, that if the Company thereafter pays or delivers any securities, cash or other property due on the Notes to the Holders thereof, then the Company will be subrogated to the rights of such Holders to receive such securities, cash or other property from the securities, cash or other property, if any, held by the Trustee, the Paying Agent or the Conversion Agent, as applicable.

Article 10. TRUSTEE

SECTION 10.01. DUTIES OF THE TRUSTEE.

(A) If an Event of Default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(B) Except during the continuance of an Event of Default:

(i) the duties of the Trustee will be determined solely by the express provisions of this Indenture, and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations will be read into this Indenture against the Trustee; and

(ii) in the absence of gross negligence or willful misconduct on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon Officer's Certificates or Opinions of Counsel that are provided to the Trustee and conform to the requirements of this Indenture. However, the Trustee will examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(C) The Trustee may not be relieved from liabilities for its gross negligence or willful misconduct, except that:

(i) this paragraph will not limit the effect of **Section 10.01(B)**;

(ii) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts; and

(iii) the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to **Section 7.06**.

(D) Each provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (A), (B), (C) and (E) of this **Section 10.01**, regardless of whether such provision so expressly provides.

(E) No provision of this Indenture will require the Trustee to expend or risk its own funds or incur any liability.

(F) The Trustee will not be liable for interest on any money received by it, except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds, except to the extent required by law.

SECTION 10.02. RIGHTS OF THE TRUSTEE.

(A) The Trustee may conclusively rely on any document that it believes to be genuine and signed or presented by the proper Person, and the Trustee need not investigate any fact or matter stated in such document.

(B) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate, an Opinion of Counsel or both. The Trustee will not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel. The Trustee may consult with counsel; and the advice of such counsel, or any Opinion of Counsel, will constitute full and complete authorization of the Trustee to take or omit to take any action in good faith in reliance thereon without liability.

(C) The Trustee may act through its attorneys and agents and will not be responsible for the misconduct or negligence of any such agent appointed with due care.

(D) The Trustee will not be liable for any action it takes or omits to take in good faith and that it believes to be authorized or within the rights or powers vested in it by this Indenture.

(E) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company will be sufficient if signed by an Officer of the Company.

(F) The Trustee need not exercise any rights or powers vested in it by this Indenture at the request or direction of any Holder unless such Holder has offered, and if requested, provided, the Trustee security or indemnity satisfactory to the Trustee in its judgment against any loss, liability or expense that it may incur in complying with such request or direction.

(G) The Trustee will not be responsible or liable for any punitive, special, indirect, incidental or consequential loss or damage (including lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(H) The permissive right of the Trustee to take the actions permitted by this Indenture shall not be construed as an obligation or duty to do so.

(I) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, including without limitation, Conversion Agent and Paying Agent, and each other agent, custodian and other Person employed to act hereunder.

(J) The Trustee shall not be deemed to have notice of any Default or Event of Default (including any default under the Investment Agreement that may constitute a Default or Event of Default) or whether any entity or group of entities constitutes a Significant Subsidiary unless written notice of any event which is in fact such a Default or of any such Significant Subsidiary is received by the Trustee at the corporate trust office of the Trustee specified in **Section 11.01**, and such notice references the Notes and this Indenture and states that it is a “Notice of Default”, or, in the case of a Default or Event of Default under this Indenture (but not a default under the Investment Agreement that may constitute a Default or Event of Default), a Responsible Officer of the Trustee has actual knowledge thereof.

(K) Notwithstanding anything to the contrary in this Indenture, other than this Indenture and the Notes, the Trustee shall have no duty to know or inquire as to the performance or nonperformance of any provision of any other agreement, instrument, or contract, including without limitation, the Investment Agreement, nor shall the Trustee be responsible for, nor chargeable with, knowledge of the terms and conditions of any other agreement, instrument, or contract, including without limitation, the Investment Agreement, whether or not a copy of such agreement has been provided to the Trustee.

SECTION 10.03. INDIVIDUAL RIGHTS OF THE TRUSTEE.

The Trustee, in its individual or any other capacity, may become the owner or pledgee of any Note and may otherwise deal with the Company or any of its Affiliates with the same rights that it would have if it were not Trustee; *provided, however*, that if the Trustee acquires a “conflicting interest” (within the meaning of Section 310(b) of the Trust Indenture Act), then it must eliminate such conflict within ninety (90) days or resign as Trustee. Each Note Agent will have the same rights and duties as the trustee under this **Section 10.03**.

SECTION 10.04. TRUSTEE’S DISCLAIMER.

The Trustee will not be (A) responsible for, and makes no representation as to, the validity or adequacy of this Indenture or the Notes; (B) accountable for the Company’s use of the proceeds from the Notes or any money paid to the Company or upon the Company’s direction under any provision of this Indenture; (C) responsible for the use or application of any money received by any Paying Agent other than the Trustee; and (D) responsible for any statement or recital in this Indenture, the Notes or any other document relating to the sale of the Notes or this Indenture, other than the Trustee’s certificate of authentication.

SECTION 10.05. NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing and is known to a Responsible Officer of the Trustee, then the Trustee will send Holders a notice of such Default or Event of Default within ninety (90) days after it occurs or, if it is not known to the Trustee at such time, promptly (and in any event within ten (10) Business Days) after it becomes known to a Responsible Officer; *provided, however*, that, except in the case of a Default or Event of Default in the payment of the principal of, or interest on, any Note, or an Event of Default (or, with respect to any conversion as to which Physical Settlement does not apply, a Default) arising from a failure to pay or deliver the Conversion Consideration due upon conversion of any Note, the Trustee may withhold such notice if and for so long as it in good faith determines that withholding such notice is in the interests of the Holders.

SECTION 10.06. COMPENSATION AND INDEMNITY.

(A) The Company will, from time to time, pay the Trustee compensation for its acceptance of this Indenture and services under this Indenture and the Notes as the Company and the Trustee shall from time to time agree in writing. The Trustee's compensation will not be limited by any law on compensation of a trustee of an express trust. In addition to the compensation for the Trustee's services, the Company will reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it under this Indenture, including the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

(B) The Company will indemnify the Trustee against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Company (including this **Section 10.06**) and defending itself against any claim (whether asserted by the Company, any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties under this Indenture, except to the extent any such loss, liability or expense may be attributable to its gross negligence or willful misconduct as determined by a final, non-appealable order of a court of competent jurisdiction. The Trustee will promptly notify the Company of any claim for which it may seek indemnity, but the Trustee's failure to so notify the Company will not relieve the Company of its obligations under this **Section 10.06(B)**. The Company will defend such claim, and the Trustee will cooperate in such defense. The Trustee may retain separate counsel, and the Company will pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement of any such claim made without its consent, which consent will not be unreasonably withheld.

(C) The obligations of the Company under this **Section 10.06** will survive the resignation or removal of the Trustee and the discharge of this Indenture.

(D) To secure the Company's payment obligations in this **Section 10.06**, the Trustee will have a lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal of, or interest on, particular Notes, which lien will survive the discharge of this Indenture.

(E) If the Trustee incurs expenses or renders services after an Event of Default pursuant to **clause (viii) or (ix) of Section 7.01(A)** occurs, then such expenses and the compensation for such services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 10.07. REPLACEMENT OF THE TRUSTEE.

(A) Notwithstanding anything to the contrary in this **Section 10.07**, a resignation or removal of the Trustee, and the appointment of a successor Trustee, will become effective only upon such successor Trustee's acceptance of appointment as provided in this **Section 10.07**.

(B) The Trustee may resign at any time and be discharged from the trust created by this Indenture by so notifying the Company. The Holders of a majority in aggregate principal amount of the Notes then outstanding may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

- (i) the Trustee fails to comply with **Section 10.09**;
- (ii) the Trustee is adjudged to be bankrupt or insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;
- (iii) a custodian or public officer takes charge of the Trustee or its property; or
- (iv) the Trustee becomes incapable of acting.

(C) If the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, then (i) the Company will promptly appoint a successor Trustee; and (ii) at any time within one (1) year after the successor Trustee takes office, the Holders of a majority in aggregate principal amount of the Notes then outstanding may appoint a successor Trustee to replace such successor Trustee appointed by the Company.

(D) If a successor Trustee does not take office within sixty (60) days after the retiring Trustee resigns or is removed, then the retiring Trustee, the Company or the Holders of at least ten percent (10%) in aggregate principal amount of the Notes then outstanding may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(E) If the Trustee, after written request by a Holder of at least six (6) months, fails to comply with **Section 10.09**, then such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(F) A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the Company, upon which notice the resignation or removal of the retiring Trustee will become effective and the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee will send notice of its succession to Holders. The retiring Trustee will, upon payment of all amounts due to it under this Indenture, promptly transfer all property held by it as Trustee to the successor Trustee, which property will, for the avoidance of doubt, be subject to the lien provided for in **Section 10.06(D)**.

SECTION 10.08. SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, then such corporation will become the successor Trustee without any further act.

SECTION 10.09. ELIGIBILITY; DISQUALIFICATION.

There will at all times be a Trustee under this Indenture that is a corporation organized and doing business under the laws of the United States of America or of any state thereof, that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least \$100.0 million as set forth in its most recent published annual report of condition.

Article 11. MISCELLANEOUS

SECTION 11.01. NOTICES.

Any notice or communication by the Company or the Trustee to the other will be deemed to have been duly given if in writing and delivered in person or by first class mail (registered or certified, return receipt requested), facsimile transmission, electronic transmission or other similar means of unsecured electronic communication or overnight air courier guaranteeing next day delivery, or to the other's address, which initially is as follows:

If to the Company :

Farfetch Limited
The Bower, 211 Old Street
London EC1V 9NR
United Kingdom
Attention: General Counsel

If to the Trustee:

Wilmington Trust, National Association
Global Capital Markets
246 Goose Lane, Suite 105
Guilford, Connecticut 06437
Facsimile: 203-453-1183
Attention: Farfetch Limited Administrator

The Company or the Trustee, by notice to the other, may designate additional or different addresses (including facsimile numbers and electronic addresses) for subsequent notices or communications.

All notices and communications (other than those sent to Holders) will be deemed to have been duly given: (A) at the time delivered by hand, if personally delivered; (B) five (5) Business Days after being deposited in the mail, postage prepaid, if mailed; (C) when receipt acknowledged, if transmitted by facsimile, electronic transmission or other similar means of unsecured electronic communication; and (D) the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery; *provided* that, any notice to the Trustee or any Note Agent shall be given upon actual receipt by the Trustee or such Note Agent.

All notices or communications required to be made to a Holder pursuant to this Indenture must be made in writing and will be deemed to be duly sent or given in writing if mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery, to its address shown on the Register; *provided, however*, that a notice or communication to a Holder of a Global Note may, but need not, instead be sent pursuant to the Depositary Procedures (in which case, such notice will be deemed to be duly sent or given in writing). The failure to send a notice or communication to a Holder, or any defect in such notice or communication, will not affect its sufficiency with respect to any other Holder.

If a notice or communication is mailed or sent in the manner provided above within the time prescribed, it will be deemed to have been duly given, whether or not the addressee receives it.

Notwithstanding anything to the contrary in this Indenture or the Notes, whenever any provision of this Indenture requires a party to send notice to another party, no such notice need be sent if the sending party and the recipient are the same Person acting in different capacities.

SECTION 11.02. DELIVERY OF OFFICER'S CERTIFICATE AND OPINION OF COUNSEL AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company to the Trustee to take any action under this Indenture (other than the initial authentication of Notes under this Indenture), the Company will furnish to the Trustee:

- (A) an Officer's Certificate that complies with **Section 11.03** and states that, in the opinion of the signatory thereto, all conditions precedent and covenants, if any, provided for in this Indenture relating to such action have been satisfied; and
- (B) an Opinion of Counsel that complies with **Section 11.03** and states that, in the opinion of such counsel, all such conditions precedent and covenants, if any, have been satisfied.

SECTION 11.03. STATEMENTS REQUIRED IN OFFICER'S CERTIFICATE AND OPINION OF COUNSEL.

Each Officer's Certificate (other than an Officer's Certificate pursuant to **Section 3.06**) or Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Indenture will include:

- (A) a statement that the signatory thereto has read such covenant or condition;
- (B) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained therein are based;

(C) a statement that, in the opinion of such signatory, he, she or it has made such examination or investigation as is necessary to enable him, her or it to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(D) a statement as to whether, in the opinion of such signatory, such covenant or condition has been satisfied.

SECTION 11.04. RULES BY THE TRUSTEE, THE REGISTRAR AND THE PAYING AGENT.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 11.05. NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND SHAREHOLDERS.

No past, present or future director, officer, employee, incorporator or shareholder of the Company, as such, will have any liability for any obligations of the Company under this Indenture or the Notes or for any claim based on, in respect of, or by reason of, such obligations or their creation. By accepting any Note, each Holder waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of the Notes.

SECTION 11.06. GOVERNING LAW; WAIVER OF JURY TRIAL.

THIS INDENTURE AND THE NOTES, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS INDENTURE OR THE NOTES, WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. EACH OF THE COMPANY AND THE TRUSTEE AND EACH HOLDER (BY ITS ACCEPTANCE OF ANY NOTE) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED BY THIS INDENTURE OR THE NOTES.

SECTION 11.07. SUBMISSION TO JURISDICTION.

Any legal suit, action or proceeding arising out of or based upon this Indenture or the transactions contemplated by this Indenture may be instituted in the federal courts of the United States of America located in the City of New York or the courts of the State of New York, in each case located in the City of New York (collectively, the “**Specified Courts**”), and each party irrevocably submits to the non-exclusive jurisdiction of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail (to the extent allowed under any applicable statute or rule of court) to such party’s address set forth in **Section 11.01** will be effective service of process for any such suit, action or proceeding brought in any such court. Each of the Company, the Trustee and each Holder (by its acceptance of any Note) irrevocably and unconditionally waives any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waives and agrees not to plead or claim any such suit, action or other proceeding has been brought in an inconvenient forum.

SECTION 11.08. NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

Neither this Indenture nor the Notes may be used to interpret any other indenture, note, loan or debt agreement of the Company or its Subsidiaries or of any other Person, and no such indenture, note, loan or debt agreement may be used to interpret this Indenture or the Notes.

SECTION 11.09. SUCCESSORS.

All agreements of the Company in this Indenture and the Notes will bind its successors. All agreements of the Trustee in this Indenture will bind its successors.

SECTION 11.10. FORCE MAJEURE.

The Trustee and each Note Agent will not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility under this Indenture or the Notes by reason of any occurrence beyond its control (including any act or provision of any present or future law or regulation or governmental authority, act of God or war, civil unrest, local or national disturbance or disaster, act of terrorism or unavailability of the Federal Reserve Bank wire or facsimile or other wire or communication facility).

SECTION 11.11. U.S.A. PATRIOT ACT.

The Company acknowledges that, in accordance with Section 326 of the U.S.A. PATRIOT Act, the Trustee, like all financial institutions, in order to help fight the funding of terrorism and money laundering, is required to obtain, verify and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The Company agrees to provide the Trustee with such information as it may request to enable the Trustee to comply with the U.S.A. PATRIOT Act.

SECTION 11.12. CALCULATIONS.

Except as otherwise provided in this Indenture, the Company will be responsible for making all calculations called for under this Indenture or the Notes, including determinations of the Last Reported Sale Price, the Daily Conversion Value, the Daily Cash Amount, the Daily Share Amount, accrued interest on the Notes, any Additional Interest on the Notes, any Additional Amounts and the Conversion Rate.

The Company will make all calculations in good faith, and, absent manifest error, its calculations will be final and binding on all Holders. The Company will provide a schedule of its calculations to the Trustee and the Conversion Agent, and each of the Trustee and the Conversion Agent may rely conclusively on the accuracy of the Company's calculations without independent verification. The Company will promptly forward a copy of each such schedule to a Holder upon its written request therefor.

SECTION 11.13. SEVERABILITY.

If any provision of this Indenture or the Notes is invalid, illegal or unenforceable, then the validity, legality and enforceability of the remaining provisions of this Indenture or the Notes will not in any way be affected or impaired thereby.

SECTION 11.14. COUNTERPARTS.

The parties may sign any number of copies of this Indenture. Each signed copy will be an original, and all of them together represent the same agreement. Delivery of an executed counterpart of this Indenture by facsimile, electronically in portable document format or in any other format will be effective as delivery of a manually executed counterpart.

SECTION 11.15. TABLE OF CONTENTS, HEADINGS, ETC.

The table of contents and the headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and will in no way modify or restrict any of the terms or provisions of this Indenture.

SECTION 11.16. WITHHOLDING TAXES.

Each Holder of a Note agrees, and each beneficial owner of an interest in a Global Note, by its acquisition of such interest, is deemed to agree, that if the Company or other applicable withholding agent pays withholding taxes or backup withholding on behalf of such Holder or beneficial owner as a result of an adjustment to the Conversion Rate, then the Company or such withholding agent, as applicable, may, at its option, set off such payments against payments of cash or the delivery of other Conversion Consideration on such Note, any payments on the Ordinary Shares or sales proceeds received by, or other funds or assets of, such Holder or the beneficial owner of such Note.

SECTION 11.17. SERVICE OF PROCESS.

The Company irrevocably appoints CT Corporation System, which currently maintains an office at 28 Liberty Street, New York, New York 10005, United States of America, as its authorized agent in the City of New York upon which process may be served in any suit, action or proceeding referred to in **Section 11.07**, and agrees that service of process upon such agent, and written notice of such service to the Company by the person serving the same to Farfetch Limited, The Bower, 211 Old Street, London EC1V 9NR, United Kingdom, Attention: General Counsel, will be every respect effective service of process upon the Company in any such suit, action or proceeding. The Company agrees to take any and all reasonable action as may be necessary to maintain such designation and appointment of such agent in full force and effect until the date that is six (6) months after the Maturity Date. If, for any reason, such agent ceases to be such agent for service of process, then the Company will, as soon as reasonably practicable, appoint a new agent of recognized standing for service of process in the State of New York and deliver to the Holders and the Trustee a copy of the new agent's acceptance of that appointment within ten (10) Business Days of such acceptance. Nothing in this **Section 11.17** will affect the right of the Trustee, any Note Agent or any Holder to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Company in any other court of competent jurisdiction. To the extent that the Company has or hereafter may acquire any sovereign or other immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Company irrevocably waives such immunity in respect of its obligations under this Indenture or under any Note.

[The Remainder of This Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, the parties to this Indenture have caused this Indenture to be duly executed as of the date first written above.

FARFETCH LIMITED

By: /s/ Jose Neves
Name: JOSE NEVES
Title: CEO

WILMINGTON TRUST, NATIONAL ASSOCIATION, AS
TRUSTEE

By: /s/ Joseph P. O'Donnell
Name: Joseph P. O'Donnell
Title: Vice President

[Signature Page to Indenture]
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List of Omitted Schedules and Exhibits

The following schedules and exhibits to the Sale and Purchase Agreement relating to 100% of the Share Capital of New Guards Group Holding s.p.a., dated as of August 2, 2019, among multiple sellers, Farfetch Italia S.r.l. and Farfetch Limited have not been provided herein:

Exhibit A: Form of Note

Exhibit B-1: Form of Restricted Note Legend

Exhibit B-2: Form of Global Note Legend

Exhibit B-3: Form of Non-Affiliate Legend

The Registrant hereby undertakes to furnish supplementally a copy of any omitted schedules or exhibits to the Securities and Exchange Commission upon request.

[Signature Page to Indenture]

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Antonioli S.r.l.

DTEAM S.r.l.

DHOLDING S.r.l.

Marcelo Burlon S.r.l.

Mr. Andrea Grilli

as Sellers

- and -

Farfetch Italia S.r.l.

as Buyer

- and -

Farfetch Limited

**SALE AND PURCHASE AGREEMENT
RELATING TO 100% OF THE SHARE CAPITAL OF
NEW GUARDS GROUP HOLDING S.P.A.**

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SALE AND PURCHASE AGREEMENT

This sale and purchase agreement (the “**Agreement**”) is entered into

BY AND BETWEEN

- (1) **Antonioli S.r.l.**, a limited liability company (*società a responsabilità limitata*) with sole quota-holder incorporated under the laws of Italy, with registered office in Via Pasquale Paoli no. 1, Milan, Italy, fiscal code, VAT no., and registration with the Companies’ Register of Milano Monza Brianza Lodi no. 04308510157, represented by Mr. Claudio Antonioli, in his capacity as sole director (“**Antonioli**”);
- (2) **DTEAM S.r.l.**, a limited liability company (*società a responsabilità limitata*) with sole quota-holder incorporated under the laws of Italy, with registered office in Corso Italia no. 45, Milan, Italy, fiscal code, VAT no., and registration with the Companies’ Register of Milano Monza Brianza Lodi no. 06028260963, represented by Davide Manuel De Giglio, in his capacity as sole director (“**DTEAM**”);
- (3) **DHOLDING S.r.l.**, a limited liability company (*società a responsabilità limitata*) with sole quota-holder incorporated under the laws of Italy, with registered office in Via Daniele Manin no. 13, Milan, Italy, fiscal code, VAT no., and registration with the Companies’ Register of Milano Monza Brianza Lodi no. 09076680967, represented by Davide Manuel De Giglio, in his capacity as sole director (“**DHOLDING**” and, together with DTEAM, the “**DDG Vehicles**”, and each of them, a “**DDG Vehicle**”);
- (4) **Marcelo Burlon S.r.l.**, a limited liability company (*società a responsabilità limitata*) with sole quota-holder incorporated under the laws of Italy, with registered office in Via Giuseppe Vigoni no. 10, Milan, Italy, fiscal code, VAT no., and registration with the Companies’ Register of Milano Monza Brianza Lodi no. 08273870967, represented by Marcelo Daniel Burlon, in his capacity as sole director (“**MB Vehicle**”);
- (5) **Mr. Andrea Grilli**, born in ##### (#####), on #####, ####, resident in #####, #####, fiscal code #####, ##### (“**AG**” and, together with, Antonioli, the DDG Vehicles and Burlon, the “**Sellers**” and each of them a “**Seller**”);

- on one hand -

AND

- (6) **Farfetch Italia S.r.l.**, a limited liability company (*società a responsabilità limitata*) incorporated under the laws of Italy, with registered office in Milano, Via Tortona 25, Italy, fiscal code, VAT no., and registration with the Companies’ Register of Milano, Monza, Brianza, Lodi no. 10503000969, represented by Mrs. Carlotta Veneziani, in her capacity as director (the “**Buyer**”);

(for the purposes of this Agreement, the Buyer and the Sellers are hereinafter jointly referred to as the “**Parties**” and each of them also as a “**Party**”);

AND

- (7) **Farfetch Limited**, an exempted company incorporated with limited liability under the laws of the Cayman Islands, with registered offices in Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Island, registered with the Cayman Islands’ Register, with registered number 336922, whose shares are listed on the New York Stock Exchange (“**NYSE**”) under the ticker symbol FTCH (“**Farfetch**”), which is entering into this Agreement for the purposes of Sections 1, 3, 4.1, 5.4, 5.5, 8.2(b)(iii) and (iv), 8.2(c), 10.6, 13, 14, 15, and 16 and to guarantee – jointly and severally – the fulfillment by the Buyer

of the relevant obligations under this Agreement including – in particular – any Buyer Indemnification Obligations.

WHEREAS

- (A) As of the date of this Agreement, New Guards Group Holding S.p.A., is a joint stock company (*società per azioni*) incorporated under the laws of Italy, with registered office in via D. Manin 13, Milano (MI), Italy, fiscal code, VAT no. and registration with the Companies' Register of Milano Monza Brianza Lodi no. 09757840963, having a share capital of Euro 1,100,000, fully paid in, divided into no. 1,100,000 shares with a par value of Euro 1.00 each ("**NGG**" or the "**Company**").
- (B) As of the date of this Agreement, NGG owns the following equity participations in the following companies:
- (a) a quota equal to Euro 8,602.40 representing 71.69% of the corporate capital of County S.r.l., a limited liability company (*società a responsabilità limitata*), incorporated under the laws of Italy, with registered office in Via Daniele Manin no. 13, Milan, Italy, fiscal code, VAT no. and registration with the Companies' Register of Milano Monza Brianza Lodi no. 08262010963 ("**County**"). The remaining quota of the corporate capital of County equal to Euro 3,397.60 and representing 20.31% of the corporate capital of County is owned by MB Vehicle (the "**MB County Quota**");
 - (b) a quota equal to Euro 5,376.00 representing 53.76% of the corporate capital of Off-White Operating S.r.l., a limited liability company (*società a responsabilità limitata*), incorporated under the laws of Italy, with registered office in Via Daniele Manin no. 13, Milan, Italy, fiscal code, VAT no. and registration with the Companies' Register of Milano Monza Brianza Lodi no. 08436950961 ("**Off-White Operating**"). The remaining quotas of the corporate capital of Off-White Operating are owned as follows:
 - (i) a quota equal to Euro 2,500.00 and representing 25% of the corporate capital of Off-White Operating is owned by Off-White LLC; and
 - (ii) a quota equal to Euro 2,124.00 and representing 21.24% of the corporate capital of Off-White Operating is owned by MB Vehicle (the "**MB Off-White Quota**"); and
 - (c) a quota equal to Euro 6,667.00 representing 66.67% of the corporate capital of Venice S.r.l., a limited liability company (*società a responsabilità limitata*), incorporated under the laws of Italy, with registered office in Via Daniele Manin no. 13, Milan, Italy, fiscal code, VAT no. and registration with the Companies' Register of Milano Monza Brianza Lodi no. 08927120967 ("**Venice**"). The remaining quotas of the corporate capital of Venice are owned as follows:
 - (i) a quota equal to Euro 3,100.00 and representing 31% of the corporate capital of Venice is owned by Studio Malibù S.r.l., a company, incorporated under the laws of Italy, with registered office in Via Santa Sofia no. 21, Milan, Italy, fiscal code, VAT no. and registration with the Companies' Register of Milano Monza Brianza Lodi no. 09322830960;
 - (ii) a quota equal to Euro 233.00 and representing 2.33% of the corporate capital of Venice is owned by MB Vehicle (the "**MB Venice Quota**", and together with the MB County Quota and the MB Off-White Quota, the "**MB Subsidiaries Quotas**" and each of them a "**MB Subsidiary Quota**");

- (d) a quota equal to Euro 6,100.00 representing 61.00% of the corporate capital of Unravel Project S.r.l., a limited liability company (*società a responsabilità limitata*), incorporated under the laws of Italy, with registered office in Via Daniele Manin no. 13, Milan, Italy, fiscal code, VAT no. and registration with the Companies' Register of Milano Monza Brianza Lodi no. 09313680960 ("**Unravel Project**"). The remaining quota of the corporate capital of Unravel Project equal to Euro 3,900.00 and representing 39% of the corporate capital of Unravel Project is owned by League of Anarchy LLC company, incorporated under the laws of United States, with registered office in Wilmington, Delaware, 1181 Silverside Road (United States), fiscal code, registration number 5677788;
- (e) a quota equal to Euro 7,500.00 representing 75% of the corporate capital of KPG S.r.l., a limited liability company (*società a responsabilità limitata*), incorporated under the laws of Italy with registered office in Via Daniele Manin no. 13, Milan, Italy, fiscal code, VAT no. and registration with the Companies' Register of Milano Monza Brianza Lodi no. 10365130961 ("**KPG**"). The remaining quota of the corporate capital of KPG equal to Euro 2,500.00 and representing 25% of the corporate capital of KPG is owned by Ms. Kim Minji born on July 3, 1991, in Incheon (Republic of Korea);
- (f) a quota equal to Euro 8,000.00 representing 80% of the corporate capital of Heron Preston S.r.l., a limited liability company (*società a responsabilità limitata*), incorporated under the laws of Italy, with registered office in Via Daniele Manin no. 13, Milan, Italy, fiscal code, VAT no. and registration with the Companies' Register of Milano Monza Brianza Lodi no. 09719570963 ("**Heron Preston**"). The remaining quota of the corporate capital of Heron Preston equal to Euro 2,000.00 and representing 20% of the corporate capital of Heron Preston is owned by Mr. Johnson Heron Preston born on April 18, 1983, in San Francisco (U.S.A.);
- (g) a quota equal to Euro 5,100.00 representing 51% of the corporate capital of Heron Preston Trademark S.r.l., a limited liability company (*società a responsabilità limitata*), incorporated under the laws of Italy, with registered office in Via Daniele Manin no. 13, Milan, Italy, fiscal code, VAT no. and registration with the Companies' Register of Milano Monza Brianza Lodi no. 09845680967 ("**Heron Preston Trademark**"). The remaining quota of the corporate capital of Heron Preston equal to Euro 4,900.00 and representing 49% of the corporate capital of Heron Preston Trademark is owned by Mr. Johnson Heron Preston born on April 18, 1983, in San Francisco (U.S.A.);
- (h) a quota equal to Euro 4,900.00 representing 49% of the corporate capital of Alanui S.r.l., a limited liability company (*società a responsabilità limitata*), incorporated under the laws of Italy, with registered office in Via Daniele Manin no. 13, Milan, Italy, fiscal code, VAT no. and registration with the Companies' Register of Milano Monza Brianza Lodi no. 09227650968 ("**Alanui**"). The remaining quotas of the corporate capital of Alanui are owned as follows:
 - (i) a quota equal to Euro 2,550.00 and representing 25.50% of the corporate capital of Alanui is owned by Oddi Holding S.r.l. a company, incorporated under the laws of Italy, with registered office in Via Adelaide Cairoli Bono no. 28, Milan, Italy, fiscal code, VAT no. and registration with the Companies' Register of Milano Monza Brianza Lodi no. 10511880964; and
 - (ii) a quota equal to Euro 2,550.00 and representing 25.50% of the corporate capital of Alanui is owned by Ms. Carlotta Oddi, born on February 8, 1984, in Monza (MB), Italy, fiscal code DDOCLT84B48F704T;

- (i) a quota equal to Euro 10,000.00 representing the entire corporate capital of APA S.r.l., a limited liability company (*società a responsabilità limitata*), that is implementing a winding-up process and that has been incorporated under the laws of Italy, with registered office in Via Daniele Manin no. 13, Milan, Italy, fiscal code, VAT no. and registration with the Companies' Register of Milano Monza Brianza Lodi no. 10050900967 ("**APA**" and, together with County, Off-White Operating, Venice, Unravel Project, KPG, Heron Preston, Heron Preston Trademark and Alanui, the "**Subsidiaries**").
- (C) Off-White Operating owns the entire corporate capital of the following entities:
- (a) Off-White Operating Holding Corp., a company incorporated under the laws of Delaware, with registered office in New York, NY 10011 5 West 19th St., registration number 81-2577840 ("**Off-White Operating Holding**"), which in turn owns the entire corporate capital of Off-White Operating Soho LLC, a company incorporated under the laws of New York, with registered office in New York, NY 10011 5 West 19th St, registration number 812617945 ("**Off-White Soho**");
- (b) Off-White Operating Paris S.à r.l., a company incorporated under the laws of France, with registered office in 34 boulevard des Italiens, 75009, Paris, France, number of registration with the Companies' Register of Paris 424950459 ("**Off-White Paris**"); and
- (c) Off-White Operating Milan S.r.l., a company incorporated under the laws of Italy, with registered office in Via Daniele Manin no. 13, Milan, Italy, fiscal code, VAT no. and registration with the Companies' Register of Milano Monza Brianza Lodi no. 10553090969 ("**Off-White Milan**" and, together with, Off-White Operating Holding, Off-White Soho and Off-White Paris and certain other subsidiaries which are set-up to run and operate the stores in Vegas, Miami and Los Angeles as identified in the Data Room, the "**Off-White Subsidiaries**", and each of them an "**Off-White Subsidiary**").
- (D) As of the date of his Agreement, the Sellers own shares representing in aggregate 100% (one hundred per cent) of the share capital of the Company. In particular:
- (a) Antonioli owns no. 506,385 (five hundred six thousand three hundred eighty-five) class A shares representing 46.04% (forty-six/04 per cent) of the share capital of NGG;
- (b) DTEAM owns no. 254,200 (two hundred fifty-four thousand two hundred) class B shares representing 23.11% (twenty-three/11 per cent) of the share capital of NGG;
- (c) DHOLDING owns no. 252,185 (two hundred fifty-two thousand one hundred eighty-five) class B shares representing 22.93% (twenty-two/93 per cent) of the share capital of NGG;
- (d) MB Vehicle owns no. 76,230 (seventy-six thousand two hundred thirty) class C shares representing 6.93% (six/93 per cent) of the share capital of NGG; and
- (e) AG owns no. 11,000 (eleven thousand) class D shares representing 1% (one per cent) of the share capital of NGG.
- (E) In accordance with certain agreements and arrangements among the Sellers and the by-laws of the Company, on July 25, 2019, the extraordinary shareholders' meeting of NGG resolved upon the following capital increases to be subscribed for, executed and paid-in within October 31, 2019 (collectively, the "**Capital Increases**");

- (a) a first capital increase of nominal Euro 305,989.00 with a share premium of Euro 138,901,011.00 (the “**First MB Capital Increase**”) to be subscribed for, executed and paid-in by the MB Vehicle through the contribution of the MB Off-White Quota and the MB County Quota (the “**First MB Contribution**”);
 - (b) a second capital increase (conditional upon the execution of the First MB Contribution) of nominal Euro 2,919.00 with a share premium of Euro 1,325,081.00 (the “**Second MB Capital Increase**” and, together with the First MB Capital Increase, the “**MB Capital Increases**”) to be subscribed for, executed and paid-in by the MB Vehicle through the contribution of the MB Venice Quota (the “**Second MB Contribution**” and, together with the First MB Contribution, the “**MB Contributions**”);
 - (c) a third capital increase (conditional upon the execution of the MB Contributions) of nominal Euro 17,529.00 with a share premium of Euro 12,471.00 (the “**AG Capital Increase**”) to be subscribed for, executed and paid-in by AG in cash.
- (F) Pursuant to a certain incentive plan agreement entered into by and between NGG, Antonioli, DTEAM, DHOLDING, the MB Vehicle and AG on May 16, 2018 (the “**Incentive Plan**”), AG has been granted with a stock option plan pursuant to which AG has the right, upon and subject to certain terms and conditions set forth therein, to subscribe the AG Capital Increase.
- (G) On the Closing Date, after and subject to the subscription of the Capital Increases:
- (a) the Sellers will own the entire share capital of the Company as follows:
 - (i) Antonioli will own no. 506,385 (five hundred six thousand three hundred eighty-five) class A shares representing 35.50% (thirty-five/50 per cent) of the share capital of NGG (the “**Antonioli Shares**”);
 - (ii) DTEAM will own no. 254,200 (two hundred fifty-four thousand two hundred) class B shares representing 17.80% (seventeen/80 per cent) of the share capital of NGG (the “**DTEAM Shares**”);
 - (iii) DHOLDING will own no. 252,185 (two hundred fifty-two thousand one hundred eighty-five) class B shares representing 17.70% (seventeen/70 per cent) of the share capital of NGG (the “**DHOLDING Shares**” and, together with the “**DTEAM Shares**”, the “**DDG Shares**”);
 - (iv) MB Vehicle will own no. 385,138 (three hundred eighty-five thousand one hundred thirty-eight) class C shares representing 27.00% (twenty-seven/00 per cent) of the share capital of NGG (the “**MB Vehicle Shares**”); and
 - (v) AG will own no. 28,529 (twenty-eight thousand five hundred twenty-nine) class D shares representing 2.00% (two per cent) of the share capital of NGG (the “**AG Shares**” and, together with the DDG Shares, the MB Vehicle Shares, the Antonioli Shares, the “**Shares**”); and
 - (b) the Company will own the following equity participations in the Subsidiaries:
 - (i) a quota equal to Euro 12,000.00 representing the entire corporate capital of County;
 - (ii) a quota equal to Euro 7,500.00 representing 75.00% of the corporate capital of Off-White Operating. The remaining quota of the corporate capital of Off-White Operating will be owned by Off-White LLC (as identified above);

- (iii) a quota equal to Euro 6,900.00 representing 69.00% of the corporate capital of Venice. The remaining quota of the corporate capital of Venice will be owned by Mr. Francesco Ragazzi born on June 7, 1985 in Milan, Italy;
- (iv) a quota equal to Euro 6,100.00 representing 61.00% of the corporate capital of Unravel Project. The remaining quota of the corporate capital of Unravel Project will be owned by League of Anarchy LLC (as identified above);
- (v) a quota equal to Euro 7,500.00 representing 75% of the corporate capital of KPG. The remaining quota of the corporate capital of KPG will be owned by Ms. Kim Minji (as identified above);
- (vi) a quota equal to Euro 8,000.00 representing 80% of the corporate capital of Heron Preston. The remaining quota of the corporate capital of Heron Preston will be owned by Mr. Johnson Heron Preston (as identified above);
- (vii) a quota equal to Euro 5,100.00 representing 51% of the corporate capital of Heron Preston Trademark. The remaining quota of the corporate capital of Heron Preston Trademark will be owned by Mr. Johnson Heron Preston (as identified above);
- (viii) a quota equal to Euro 4,900.00 representing 49% of the corporate capital of Alanui. The remaining quotas of the corporate capital of Alanui will be owned by Oddi Holding S.r.l. and Ms. Carlotta Oddi (as identified above), in any case without prejudice to the provisions of Section 5.7 below;
- (ix) a quota equal to Euro 10,000.00 representing the entire corporate capital of APA; and
- (x) through Off-White Operating, the entire corporate capital of the Off-White Subsidiaries.

(H) The Buyer is an entity directly fully owned and controlled by Farfetch.

(I) The Sellers intend to sell to the Buyer that – also in light of the satisfactory outcomes of the Due Diligence (as defined below) intends to purchase – the Shares. In particular:

- (a) Antonioli intends to sell to the Buyer – that intends to purchase – the Antonioli Shares;
- (b) DTEAM intends to sell to the Buyer – that intends to purchase – the DTEAM Shares;
- (c) DHOLDING intends to sell to the Buyer – that intends to purchase – the DHOLDING Shares;
- (d) MB Vehicle intends to sell to the Buyer – that intends to purchase – the MB Vehicle Shares; and
- (e) AG intends to sell to the Buyer – that intends to purchase – the AG Shares.

(J) On June 14, 2019 Farfetch submitted to the Sellers a non-binding offer to acquire (also indirectly through one of its subsidiaries), at the terms and conditions set forth therein, the Shares from the Sellers, which was accepted by the Sellers on the same date (the “**NBO**”);

(K) Following the acceptance of the NBO, the Buyer, also through its financial, legal, accounting and tax advisers, has conducted an investigation of the Group Companies (as defined below) (the “**Due Diligence**”), by means of a financial, accounting, legal, tax and commercial due diligence carried out through: (i) the review of the documentation which has been made

available to Farfetch and the Buyer and their advisors by the Sellers, the Group Companies, and their respective representatives and advisors, in an electronic data room opened from June 27, 2019 to July 31, 2019 on 6:00 p.m. CEST (the “**Data Room**”), attached hereto as **Schedule (K)**; (ii) the management presentations related to the business, financial, strategic, operational, and development aspects of the Group Companies made to Farfetch and the Buyer and/or their advisors by the Group Companies’ management in Milan, at the offices of Latham & Watkins from June 25, 2019 to June 27, 2019 and (iii) the Q&A sessions asked by Farfetch and the Buyer and/or their advisors, and the relevant answers thereto provided by the Group Companies and their advisors.

- (L) In accordance with and subject to the terms and conditions of this Agreement, the Sellers intend to sell to the Buyer, and the Buyer intends to purchase from the Sellers, the Shares (the “**Transaction**”).

NOW THEREFORE, the Parties hereby agree and covenant as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement the following terms and expressions starting with a capital letter shall have the following meanings:

“**2018 NGG Consolidated Financial Statements**” means the consolidated financial statements of NGG relating to the period from November 1, 2017 through October 31, 2018, approved by the NGG’s board of directors’ meeting on June 26, 2019, audited by KPMG S.p.A. and attached hereto as **Schedule 1.1(I)**.

“**2018 NGG Financial Statements**” means the financial statements of NGG relating to the period from May 1, 2017 through April 30, 2018, approved by the NGG’s shareholders’ meeting on June 26, 2019, audited by KPMG S.p.A. and attached hereto as **Schedule 1.1(II)**.

“**Accounting Principles**” means the generally accepted accounting principles set forth in the Code and in Legislative Decree No. 127/91, those established by the Italian Accountants’ Organization (“*Principi Contabili Predisposti dai Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri*”) and those established and/or revised by the OIC (“*Organismo Italiano di Contabilità*”) applied using bases, practices, methods and estimations techniques consistent with those used in preceding accounting periods.

“**Actual 2018 Group EBITDA**” means the the actual value of the NGG Group EBITDA related to the fiscal year ending on October 31, 2018.

“**Affiliate**” means, with respect to (a) a Person, which is a legal entity, any Person (as defined below), directly or indirectly controlling, controlled by or under common control with (as defined below), such Person, (b) with respect to a Person that is an individual: (i) the spouse of such Person or of any of the individuals under (ii) hereafter; and (ii) any relative (*parente*) of, or person related by affinity (*affine*) to, such Person or any of the individuals under (i) above, in each case within the fourth degree (including step-children and adopted children).

“**AG**” has the meaning set forth in the Preamble.

“**AG Cash Price Portion**” has the meaning set forth in Section 3.2(e)(i).

“**AG Escrow Amount**” has the meaning set forth in Section 3.3(e)(ii).

“**AG FF Shares**” has the meaning set forth in Section 3.2(e)(ii).

“**AG Price Portion**” has the meaning set forth in Section 3.1(a)(v).

“**AG Shares**” has the meaning set forth in Recital (G).

“**Agreement**” has the meaning set forth in the Preamble.

“**Alanui**” has the meaning set forth in Recital (B).

“**Alanui Agreements**” means the agreements regarding, *inter alia*, the acquisition by NGG of quota-holding representing 4% of Alanui’s corporate capital and the execution of a new shareholders’ agreement setting forth the new governance structure of Alanui itself that in copy are attached hereto as **Schedule 1.1(III)**.

“**Anti-Corruption Laws**” means laws, regulations or orders relating to anti-bribery or anti-corruption (governmental or commercial), including, without limitation, applicable laws that prohibit 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 Government Official, commercial entity, or any other Person to obtain an improper business advantage, such as, without limitation, Articles 318, 319, 319 *ter*, 320 and/or 321 of the Italian criminal code (as approved by the Royal Decree, dated March 16, 1942, no. 262, as subsequently amended and supplemented), Legislative Decree no. 231 dated June 8, 2001 (as subsequently amended), the U.S. Foreign Corrupt Practices Act of 1977 (as amended from time to time), the United Kingdom Bribery Act of 2010, and all national and international laws enacted to implement the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions, in each case to the extent applicable.

“**Anti-Money Laundering Laws**” means laws, regulations, rules or guidelines relating to money laundering, including, without limitation, applicable financial recordkeeping and reporting requirements, such as, without limitation, the U.S. Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56, the U.S. Currency and Foreign Transaction Reporting Act of 1970, as amended, the U.S. Money Laundering Control Act of 1986, as amended, the UK Proceeds of Crime Act 2002, the UK Terrorism Act 2000, as amended, all money laundering-related Laws of other jurisdictions where each NGG Group Company, conducts business or own assets, and any related or similar Law issued, administered or enforced by any Authority, in each case to the extent applicable.

“**Antitrust 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 and all civil or other codes and all other laws of, or having effect in, any jurisdiction from time to time governing the conduct of any Person in relation to restrictive or other anti-competitive agreements or practices (including cartels, pricing, resale pricing, market sharing, bid rigging, terms of trading, purchase or supply and joint ventures), abuse of dominant or monopoly market positions (whether held individually or collectively) and the control of acquisitions or mergers.

“**Antonioli**” has the meaning set forth in the Preamble.

“**Antonioli Cash Price Portion**” has the meaning set forth in Section 3.2(a)(i).

“**Antonioli Price Portion**” has the meaning set forth in Section 3.1(a)(i).

“**Antonioli Escrow Amount**” has the meaning set forth in Section 3.3(a)(ii).

“**Antonioli FF Shares**” has the meaning set forth in Section 3.2(a)(ii).

“**Antonioli Shares**” has the meaning set forth in Recital (G).

“**APA**” has the meaning set forth in Recital (B).

“**Authority**” means – as the case may be – any (a) nation, region, state, country, city, town, village, district or other jurisdiction, (b) federal, state, local, municipal, county, foreign or other government, (c) department, agency, division, bureau, instrumentality, or other political subdivision of a foreign or other government, (d) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department or other entity and any court or other tribunal), (e) public international organization or multinational organization, (f) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, taxing, social security or administrative authority or power of any nature, (g) any company, business, enterprise, or other entity owned, in whole or in part, or controlled by any government, entity, organization described in the foregoing clauses (a), (b), (c), (d), (e) or (f) of this definition, or (h) any political party.

“**Business Day**” means any calendar day other than Saturdays, Sundays and any other days on which banks are authorized to close in Milan, New York or in London.

“**Buyer**” has the meaning set forth in the Preamble.

“**Buyer Indemnification Obligation**” has the meaning set forth in Section 13.

“**Buyer Release Amount**” has the meaning set forth in Section 3.4(a)(i).

“**Buyer Warranties**” has the meaning set forth in Section 10.1.

“**Claim**” has the meaning set forth in Section 14.1.

“**Claimant**” has the meaning set forth in Section 14.2.

“**Closing**” means the purchase and sale of the Shares, the payment of the Provisional Price to the Sellers and, in general, the execution and exchange of all documents and agreements and the performance and consummation of all obligations and transactions, respectively required to be executed, exchanged, performed and consummated on the Closing Date (as defined below) pursuant to Section 8 of this Agreement.

“**Closing Cash Price Portions**” has the meaning set forth in Section 3.2(e)(i).

“**Closing Date**” means: (i) August 7, 2019; or (ii) in case by such date the First Condition Precedent has not been met or waived according to Section 7.1, the Business Day - such date not to be later than the Long Stop Date – following the day on which such First Condition Precedent has been met or waived according to Section 7.1; or (iii) or any other date which may be agreed upon in writing by the Parties.

“**Closing FF Shares**” has the meaning set forth in Section 3.2(e)(ii).

“**Closing Financial Documents**” means the financial documentation to be provided by the Sellers to the Buyer, as listed in **Schedule 1.1(IV)**.

“**Closing NFP**” means the NFP of the NGG Group as at the Closing Date.

“**Closing NWC**” means the NWC of the NGG Group as at the Closing Date.

“**Code**” means the Italian civil code, as approved by the Royal Decree, dated March 16, 1942, no. 262, as subsequently amended and supplemented.

“**Company**” has the meaning set forth in Recital (A).

“**Conditions**” means the First Condition Precedent and the Second Condition Precedent.

“**Confidential IP Rights**” has the meaning set forth in Section 9.16.

“**control**”, “**controlling**” and “**controlled**”, unless the context requires otherwise, has the meaning provided by article 2359, first paragraph, no. 1), of the Code.

“**County**” has the meaning set forth in Recital (B).

“**Data Room**” has the meaning set forth in Recital (K).

“**DDG**” means Mr. Davide De Giglio.

“**DDG Cash Price Portion**” has the meaning set forth in Section 3.21.1(d)(i).

“**DDG FF Shares**” has the meaning set forth in Section 3.2(d)(iii).

“**DDG Price Portion**” has the meaning set forth in Section 3.1(a)(iii).

“**DDG Shares**” has the meaning set forth in Recital (G).

“**DDG Vehicles**” has the meaning set forth in the Preamble.

“**DHOLDING**” has the meaning set forth in the Preamble.

“**DHOLDING Cash Price Portion**” has the meaning set forth in Section 3.2(d)(i).

“**DHOLDING Escrow Amount**” has the meaning set forth in Section 3.3(d)(ii).

“**DHOLDING FF Shares**” has the meaning set forth in Section 3.2(d)(ii).

“**DHOLDING Price Portion**” has the meaning set forth in Section 3.1(a)(iii).

“**DHOLDING Shares**” has the meaning set forth in Recital (G).

“**Direct Claim**” has the meaning set forth in Section 14.2.

“**Directors Resignation Letters**” has the meaning set forth in Section 5.2(a).

“**Disclosure Letter**” means the that certain letter delivered by the Sellers to the Buyer on the date of execution of this Agreement and which contains the exceptions to the Sellers Warranties.

“**Disputed Amounts**” has the meaning set forth in Section 4.2(a)(iv).

“**Disputed Matters**” has the meaning set forth in Section 4.2(a)(iii).

“**DTEAM**” has the meaning set forth in the Preamble.

“**DTEAM Cash Price Portion**” has the meaning set forth in Section 3.2(c)(i).

“**DTEAM Escrow Amount**” has the meaning set forth in Section 3.3(c)(ii).

“**DTEAM FF Shares**” has the meaning set forth in Section 3.2(c)(ii).

“**DTEAM Price Portion**” has the meaning set forth in Section 3.1(a)(ii).

“**DTEAM Shares**” has the meaning set forth in Recital (G).

“**Due Diligence**” has the meaning set forth in Recital (K).

“**EBITDA Adjustment**” has the meaning set forth in Section 4.1(a).

“**EBITDA Shortfall**” has the meaning set forth in Section 4.1(a).

“**Encumbrances**” means any security interest, mortgage, lien, easement, usufruct, charge (whether fixed or floating), pledge, encumbrance, option, power of sale, right of first refusal or first offer or other third party rights, rights of pre-emption, right to acquire, transfer restriction, assignment (including by way of security), retention of title, escrow or trust arrangement for the purposes of providing security, defect of title or other similar restriction and any agreement to create any of the foregoing.

“**Escrow Accounts**” means the bank accounts opened with and/or by the Escrow Agent and where the Sellers (according to their applicable Relevant Percentages) shall deposit the Escrow Amount to be kept in escrow in accordance with this Agreement and the Escrow Agreement.

“**Escrow Agent**” means the bank or other financial institution of international standing which shall be chosen and agreed in good faith by the Sellers and the Buyer, prior to the Closing Date, to act as Escrow Agent for the purposes of this Agreement and the Escrow Agreement.

“**Escrow Agreement**” means the escrow agreement to be entered into at Closing and negotiated in good faith by and among the Escrow Agent, the Sellers, and the Buyer that shall reflect the principles under Section 3.4 below.

“**Escrow Amount**” has the meaning set forth in Section 3.3(e)(ii).

“**Farfetch**” has the meaning set forth in the Preamble.

“**Farfetch’s Class A Shares**” means the total 16,837,869 listed Class A ordinary shares of Farfetch that, subject to the terms and conditions of this Agreement, will be issued in favour of the Sellers to satisfy the obligation of the Buyer to pay a portion of the Provisional Price at Closing.

“**FF Warranties**” has the meaning set forth in Section 10.6.

“**FF Indemnification Obligation**” has the meaning set forth in Section 13.1.

“**Final Price**” means the Provisional Price minus the amount (if any) of the NFP Shortfall Adjustment or plus the amount (if any) of the NFP Excess Adjustment and minus (if any) the amount of the EBITDA Adjustment.

“**First Condition Precedent**” means the delivery of Closing Financial Documents by KPMG S.p.A. to NGG.

“**Government Official**” means (i) any official, officer, employee, or representative of, or any Person acting in an official capacity for or on behalf of, any Authority Governmental Entity, (ii) any political party or party official or candidate for political office; a Politically Exposed Person (PEP) as defined by the Financial Action Task Force (FATF) or Groupe d’action Financière sur le Blanchiment de Capitaux (GAFI); or (iv) any official, officer, employee, or representative of a company, business, enterprise or other entity owned, in whole or in part, or controlled by any Authority.

“**Heron Preston**” has the meaning set forth in Recital (B).

“**Heron Preston Trademark**” has the meaning set forth in Recital (B).

“**IFRS Financial Documents**” means the unaudited consolidated financial documents relating to the NGG Group Companies attached hereto as **Schedule 1.1(V)**, which have been prepared by EY S.p.A. upon mandate of the Company and request of the Buyer, for the purposes of the transition of the relevant documents from the Accounting Principles to IFRS Standard.

“**Incentive Plan**” has the meaning set forth in Recital (F).

“**Indemnifying Party**” has the meaning set forth in Section 14.2.

“**Indemnification Event**” has the meaning set forth in Section 14.2.

“**Independent Expert**” means the accounting firm Deloitte, provided that, if Deloitte does not agree to perform (including due to any situation of conflict of interest), or is unable or unwilling to complete the services set forth under this Agreement and the Buyer, on one side, and the Seller(s) in relation to which the Independent Expert shall render its services, on the other side, fail to agree on its replacement with another accounting firm of international standing, preferably among the so called *big four*, which is independent from the Buyer, on one side, and the Seller(s) in relation to which the Independent Expert shall render its services, on the other side, within the following 5 (five) Business Days, such replacement will thereupon be designated by Chairman of the Court of Milan, among the accounting firms of international standing, preferably among the so called *big four*, which are independent from the Buyer and the Seller(s) in relation to which the Independent Expert shall render its services, upon request of the most diligent of the Buyer and/or any of the Seller(s) in relation to which the Independent Expert shall render its services, provided that such designation cannot be appealed or challenged for any reason whatsoever.

“**Indirect Tax**” value added, turnover, sales, use, distribution or corresponding Tax.

“**Intellectual Property**” means all rights in patents, utility and/or design models, trademarks, unregistered trademarks, service marks, logos, getup, trade names, internet domain names, copyright (including rights in computer software), design rights, the benefit of any waiver of moral rights, database rights and knowledge (including know how, inventions, secret formulae and processes, market information, and lists of customers and suppliers), and rights protecting goodwill and reputation and rights to sue for passing off and any other intellectual property rights, in each case, whether or not registered and including all applications to register and rights to apply to register any of them and all rights to sue for any past or present infringement of them and all rights or forms of protection having equivalent or similar effect in any jurisdiction.

“**Interim Management Period**” has the meaning set forth in Section 6.1(a).

“**KPG**” has the meaning set forth in Recital (B).

“**Laws**” means – as the case may be – all applicable legislation, statutes, directives, regulations, judgments, decisions, decrees, orders 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, rules of the NYSE, the US Securities Act, customary law and equity and all civil or other codes and all other laws of, or having effect in, any relevant jurisdiction from time to time.

“**Lock Up**” has the meaning set forth in Section 3.2(c)(ii).

“**Lock Up Period**” has the meaning set forth in Section 3.2(c)(ii).

“**Long Stop Date**” means August 31, 2019 or such later date agreed in writing by the Parties.

“**Loss**” means, in relation to any matter, any and all direct and actual loss and/or any loss of profit, pursuant to and in accordance with Articles 1223 ad following of the Code, relating to that matter.

“**MB Capital Increase**” has the meaning set forth in Recital (E).

“**MB Contributions**” has the meaning set forth in Recital (E).

“**MB County Quota**” has the meaning set forth in Recital (B).

“**MB Off-White Quota**” has the meaning set forth in Recital (B).

“**MB Subsidiaries Quotas**” has the meaning set forth in Recital (B).

“**MB Vehicle**” has the meaning set forth in the Preamble.

“**MB Vehicle Cash Price Portion**” has the meaning set forth in Section 3.2(b)(i).

“**MB Vehicle Escrow Amount**” has the meaning set forth in Section 3.3(b)(ii).

“**MB Vehicle FF Shares**” has the meaning set forth in Section 3.2(b)(ii).

“**MB Vehicle Price Portion**” has the meaning set forth in Section 3.1(a)(iv).

“**MB Vehicle Shares**” has the meaning set forth in Recital (G).

“**MB Venice Quota**” has the meaning set forth in Recital (B).

“**NBO**” has the meaning set forth in Recital (J).

“**Negative Difference**” means the amount by which the Final Price is less than the Provisional Price.

“**NFP**” means the net financial position of the NGG Group as calculated through the items indicated in Schedule 1.1(VI).

“**NFP Shortfall**” has the meaning set forth in Section 4.1.(b).

“**NFP Shortfall Adjustment**” has the meaning set forth in Section 4.1.(b).

“**NFP Excess**” has the meaning set forth in Section 4.1.(c).

“**NFP Excess Adjustment**” has the meaning set forth in Section 4.1.(c).

“**NGG**” or the “**Company**” has the meaning set forth in Recital (A).

“**NGG By-Laws**” means the by-laws of NGG to be adopted on the Closing Date and that the Buyer will notify to the Sellers in due advance prior to Closing.

“**NGG Collective Bargaining Agreements**” has the meaning set forth in Section 9.12(c).

“**NGG Employees**” has the meaning set forth in Section 9.12(a).

“**NGG Financials**” means the 2018 NGG Consolidated Financial Statements and the 2018 NGG Financial Statements.

“**NGG Group Companies**” or “**NGG Group**” or “**Group Companies**” means NGG, the Subsidiaries and the Off-White Subsidiaries.

“**NGG Group EBITDA**” means the consolidated EBITDA of NGG, to be calculated according to the principles set forth in Schedule 1.1(VII) and in any case applying the Accounting Principles and without any normalization and/or deviation thereof.

“**NGG Group Permits**”: has the meaning set forth in Section 9.7(a).

“**NGG Group Representative**” means the Sellers, any NGG Group Company, or any director, officer, agent, employee, representative, distributor, consultant, or any other Person duly authorized to act for or on behalf of the foregoing (individually and collectively).

“**NGG IP Rights**” has the meaning set forth in Section 9.15(f).

“**NGG Lease Agreements**” has the meaning set forth in Section 9.11.

“**NGG Material Contracts**” means each contract or agreement listed in **Schedule 9.10(a)** to this Agreement.

“**NGG Real Properties**” has the meaning set forth in Section 9.11.

“**Notary**” means the Notary Public, Mr. Andrea de Costa, or any other Notary of the firm “Studio Notarile Marchetti”, or any other Notary Public to be timely designated by the Buyer.

“**Notice of Claim**” has the meaning set forth in Section 14.2.

“**NYSE**” has the meaning set forth in the Preamble.

“**Objection Notice**” has the meaning set forth in Section 4.2(a)(ii).

“**Off-White Operating**” has the meaning set forth in Recital (B).

“**Off-White Operating Holding**” has the meaning set forth in Recital (C).

“**Off-White Milan**” has the meaning set forth in Recital (C).

“**Off-White Paris**” has the meaning set forth in Recital (C).

“**Off-White Soho**” has the meaning set forth in Recital (C).

“**Off-White Subsidiaries**” has the meaning set forth in Recital (C).

“**Owned IP rights**” has the meaning set forth in Section 9.15.

“**Parties**” has the meaning set forth in the Preamble.

“**Pending Claims**” has the meaning set forth in Section 3.4(a).

“**Person**” means – as the case may be – any individual, corporation, general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company, firm or other enterprise, association, organization or entity.

“**Positive Difference**” means the amount by which the Final Price is greater than the Provisional Price.

“**Price Adjustment Notice**” has the meaning set forth in Section 4.2(a)(i).

“**Provisional Price**” has the meaning set forth in Section 3.1(a).

“**Reference NFP**” means the Sellers’ good faith estimate of the NFP of the NGG Group as at July 31, 2019, which is equal to Euro 39,396,699.75 and as detailed in **Schedule 1.1(IX)**.

“**Related Parties**” has the meaning set forth by the international accounting principle concerning the disclosure of related parties transactions (IAS n. 24), as adopted pursuant to the procedure set forth under Section 6 of the Regulation (EC) no. 1606/2002.

“**Related Person**” means, with respect to any Seller, (i) the Affiliates of any such Seller (other than any NGG Group Company), and (ii) any such Seller’s and/or its Affiliates’ (other than any NGG Group Company) respective directors, officers, executives (*dirigenti*) or employees.

“**Release Date**” has the meaning set forth in Section 3.4(a).

“**Relevant Percentage**” means, in respect of each Seller, the percentage indicated in **Schedule 1.1(XI)**.

“**Retained Amount**” has the meaning set forth in Section 3.4(a).

“**Rules**” has the meaning set forth in Section 16.10(a).

“**Sanctions Laws and Regulations**” means applicable economic or financial sanctions or trade embargoes imposed, administered, or enforced by relevant Authorities, including those administered by the U.S. government through the U.S. Treasury Department’s Office of Foreign Assets Control or the U.S. Department of State, the European Union or its Member States, or Her Majesty’s Treasury of the United Kingdom.

“**Sanctions Target**” means any Person that is the target of Sanctions Laws and Regulations, including (a) any Person listed in any list of designated Persons maintained by the U.S. Treasury Department’s Office of Foreign Assets Control or other U.S. or non-U.S. Government Entity under Sanctions Laws; (b) that is, or is part of, a government of, a country or territory subject to comprehensive sanctions (currently Iran, Syria, Cuba, North Korea, and the Crimea region of Ukraine), (c) any Person 50% or more owned or, where relevant under applicable Sanctions Laws and Regulations, Controlled by any such Person or Persons or acting for or on behalf of such Person or Persons; or (d) any Person organized or resident in a country or territory subject to comprehensive sanctions.

“**Second Condition Precedent**” means the fact that the Closing Financial Documents regarding 2018 financial year do not show any material discrepancy *vis-à-vis* the IFRS Financial Documents regarding 2018 financial year.

“**Securities Act**” means the United States of America Securities Act of 1933, as amended.

“**Sellers**” has the meaning set forth in the Preamble.

“**Sellers Indemnification Obligations**” has the meaning set forth in Section 11.1.

“**Sellers’ Knowledge**” means the actual knowledge that Mr. Davide De Giglio, AG, Mr. Claudio Antonoli and Mr. Marcelo Burlon – as applicable – have acquired in their capacity of directors and/or direct or indirect shareholders of NGG.

“**Sellers Warranties**” has the meaning set forth in Section 9.1.

“**Shares**” has the meaning set forth in Recital (G).

“**Special Indemnification Obligations**” has the meaning set forth in Section 12.2.

“**Statutory Auditors Resignation Letters**” has the meaning set forth in Section 5.2(b).

“**Subsidiaries**” has the meaning set forth in Recital (B).

“**Target 2018 Group Consolidated EBITDA**” means Euro 60,700,000.00 (sixty million seven hundred thousand/00).

“**Tax**” or “**Taxes**” means all federal, state or local taxes, direct or indirect taxes, social security contributions, fees, levies, or other fiscal assessments and duties imposed by any federal, national or

local taxing authorities, including all income taxes, transfer taxes (including, without limitation, Italian, and French registration duty), recording, license, withholding, payroll, stamp, registration tax, mortgage tax, cadastral tax, occupation and property taxes, excise or custom duties, sale, use, VAT and franchise taxes or other similar fees, assessments and charges, however denominated, together with all interest, penalties, fines, surcharges, additions to tax or additional amounts imposed by any Tax Authority.

“**Tax Authority**” means any government, state or municipality or any local, state, federal or other fiscal, revenue, customs or excise authority, body or official competent to impose, administer, levy, assess or collect any Tax.

“**Third-Party Claim**” has the meaning set forth in Section 14.2.

“**Trade Working Capital Special Indemnity**” has the meaning set forth in Section 12.1.

“**Transaction**” has the meaning set forth in Recital (L).

“**Unravel Project**” has the meaning set forth in Recital (B).

“**Venice**” has the meaning set forth in Recital (B).

1.2 Interpretation

- (a) Defined terms denoting the singular shall include the plural and vice versa. Terms used in the plural apply to the whole as well as to one or more of the relevant individual elements. Any reference in this Agreement to gender shall include all genders.
- (b) Any defined terms that refer to an Italian legal concept shall be deemed to include – if applicable and to the extent possible – the most similar legal concept existing in any relevant jurisdiction other than Italian Republic.
- (c) Definitions given for a noun also apply *mutatis mutandis* to verbs, adjectives and adverbs that have the same root and vice versa.
- (d) References to “includes” and “including” mean including without limitation.
- (e) In all cases in which, under this Agreement, a Party clearly and directly undertakes to cause or to procure that any other Person (including a corporate body of any such Person) undertakes or does or omits to do something, or to procure that any other Person (including a corporate body of any such Person) undertakes or does or omits to do something, such undertaking of the Party shall be construed as a “*promessa dell’obbligazione o del fatto del terzo*” as provided by article 1381 of the Code.
- (f) The obligation of a Party to use its efforts or endeavors, whether best or reasonable or commercial, to accomplish an objective shall be construed as an “*obbligazione di mezzi*” according to the Italian Law and not as an absolute obligation to ensure that such objective is, in fact, reached (*i.e.*, as an “*obbligazione di risultato*”).
- (g) The division of this Agreement into Articles, Sections, and Paragraphs and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement.
- (h) The words such as “herein,” “hereinafter,” “hereof,” and “hereunder” refer to this Agreement as a whole (including the Recitals and the Schedules) and not merely to a subdivision in which such words appear.

- (i) The references to “Sections”, “Paragraphs” “Recitals”, and “Schedules” are to the articles, sections, recitals and schedules of this Agreement.
- (j) For the purposes of Sections 1, 3, 4.1, 5.5, 8.2(b)(iii) and (iv), 8.2(c), 10.6, 13, 14, 15, and 16, the definition of Parties shall be deemed to, and shall be construed as to, include a reference to Farfetch.

2. SALE AND PURCHASE OF THE SHARES

2.1 Sale and Purchase of the Shares

On the terms and conditions set out in this Agreement, each Seller hereby agrees to sell and transfer to the Buyer, and the Buyer hereby agrees to purchase, its/his own Shares at Closing, in consideration of its/his own relevant portion of the Provisional Price (in any case as adjusted pursuant to Section 4). In particular, at Closing:

- (a) Antonioli shall sell and transfer to the Buyer, and the Buyer shall purchase from Antonioli, the Antonioli Shares, free and clear of any Encumbrance and in consideration of the Antonioli Price Portion;
- (b) MB Vehicle shall sell and transfer to the Buyer, and the Buyer shall purchase from MB Vehicle, the MB Shares, free and clear of any Encumbrance and in consideration of the MB Vehicle Price Portion;
- (c) DTEAM shall sell and transfer to the Buyer, and the Buyer shall purchase from DTEAM, the DTEAM Shares, free and clear of any Encumbrance and in consideration of the DTEAM Price Portion;
- (d) DHOLDING shall sell and transfer to the Buyer, and the Buyer shall purchase from DHOLDING, the DHOLDING Shares, free and clear of any Encumbrance and in consideration of the DHOLDING Price Portion; and
- (e) AG shall sell and transfer to the Buyer, and the Buyer shall purchase from AG, the AG Shares, free and clear of any Encumbrance and in consideration of the AG Price Portion.

2.2 Shares as a sole object

Pursuant to section 1316 of the Code, the Shares are conventionally deemed to be one sole and indivisible object. Therefore, the sale and purchase under this Agreement of any of the Shares will not be deemed to have been completed unless and until all Shares have been sold and transferred to the Buyer.

2.3 Absence of joint liability

Each Seller undertakes to sell and transfer its/his own Shares to the Buyer severally and not jointly with the consequent exclusion of any form of joint liability between the Sellers pursuant to articles 1292 *et seq.* of the Code or otherwise, except for the DDG Vehicles which shall be jointly liable between them. Accordingly, each of the Sellers may only be held liable for any failure to perform obligations under Section 2.1 that is directly attributable to such Seller, but not with respect to any such failure to perform that is attributable to the other Sellers, except for the DDG Vehicles which shall be jointly liable between them.

2.4 Enjoyment of the Shares

The transfer of the ownership of, and title to, the Shares to the Buyer by the Sellers shall be effective as of the Closing Date with economic benefit (*godimento*) as of the Closing Date.

2.5 Waiver

In respect of the sale of the Shares hereunder and the execution of this Agreement, each Seller hereby irrevocably and unconditionally (A) provides to each other and the Buyer any and all consents required under the by-laws of the Company, any shareholders' agreement/arrangement in force among all or part of the Sellers and any applicable Law, and (B) waives any right (including any pre-emption, drag along or tag along right) set forth in the by-laws of the Company and/or any shareholders' agreement/arrangement in force among all or part of the Sellers that may be triggered by the execution of this Agreement and the sale and purchase of the Shares hereunder.

3. PRICE

3.1 The Provisional Price

(a) The consideration for the sale and purchase of the Shares payable at Closing in accordance with Sections 3.2 and 3.3 and the other terms and conditions of this Agreement, by the Buyer to the Sellers, shall be in the aggregate equal to Euro 646,596,699.75 (six hundred forty-six million five hundred ninety-six thousand six hundred ninety-nine/75) (*i.e.* the sum of Euro 607,200,000.00 (six hundred and seven million two hundred thousand/00) and the amount of the Reference NFP) (the “**Provisional Price**”) and shall be allocated among the Sellers as follows:

- (i) as to Antonioli a portion of the Provisional Price equal to Euro 211,142,220.73 (the “**Antonioli Price Portion**”);
- (ii) as to DTEAM a portion of the Provisional Price equal to Euro 132,542,119.77 (the “**DTEAM Price Portion**”);
- (iii) as to DHOLDING a portion of the Provisional Price equal to Euro 131,509,770.94 (the “**DHOLDING Price Portion**” and, together with the DTEAM Price Portion, the “**DDG Price Portion**”);
- (iv) as to MB Vehicle a portion of the Provisional Price equal to Euro 160,587,041.12 (the “**MB Vehicle Price Portion**”); and
- (v) as to AG a portion of the Provisional Price equal to Euro 10,815,547.20 (the “**AG Price Portion**”).

The Parties, at their own risk (*anche in via d'alea*), hereby acknowledge and agree that, without prejudice to what otherwise set forth in this Agreement, the Provisional Price and the relevant portions of the Provisional Price allocated to the Sellers shall not be subject to any adjustment, whether upwards or downwards, save for the price adjustment procedure under Section 4.2 below.

(b) The Parties hereby confirm and acknowledge that the allocation of the Provisional Price among the Sellers pursuant to Section 3.1(a) has been fully and irrevocably agreed among the Parties and after that the Sellers have been duly advised by their respective legal, tax and financial advisors. The Sellers hereby confirm to have no claim or objection in respect of the allocation of the Provisional Price set forth in Section 3.1(a) and such allocation represents a fair and reasonable agreement.

3.2 Satisfaction of the payment of the Provisional Price

The Parties hereby agree that the obligation of the Buyer to pay to the Sellers the Provisional Price shall be satisfied as follows:

- (a) as to the Antonioli Price Portion:
 - (i) the Buyer shall pay to Antonioli in cash, at Closing, a portion of the Antonioli Price Portion equal to Euro 115,154,239.37 (the “**Antonioli Cash Price Portion**”) in accordance with Sections 3.3 and 8.2; and
 - (ii) a portion of the Antonioli Price Portion equal to Euro 95,987,981.36, through the issuance at Closing by Farfetch, on behalf of the Buyer and in favor of Antonioli, of no. 4,999,200 Farfetch’s Class A Shares (the “**Antonioli FF Shares**”);
- (b) as to the MB Vehicle Price Portion:
 - (i) the Buyer shall pay to MB Vehicle in cash, at Closing, a portion of the MB Vehicle Price Portion equal to Euro 87,582,097.55 (the “**MB Vehicle Cash Price Portion**”) in accordance with Sections 3.3 and 8.2; and
 - (ii) a portion of the MB Vehicle Price Portion equal to Euro 73,004,943.57, through the issuance at Closing by Farfetch, on behalf of the Buyer and in favor of MB Vehicle, of no. 3,802,208 Farfetch’s Class A Shares (the “**MB Vehicle FF Shares**”);
- (c) as to the DTEAM Price Portion:
 - (i) the Buyer shall pay to DTEAM in cash, at Closing, a portion of the DTEAM Price Portion equal to Euro 57,802,225.71 (the “**DTEAM Cash Price Portion**”) in accordance with Sections 3.3 and 8.2;
 - (ii) a portion of the DTEAM Price Portion equal to Euro 74,739,894.06, through the issuance at Closing by Farfetch, on behalf of the Buyer and in favor of DTEAM, of no. 3,892,567 Farfetch’s Class A Shares (the “**DTEAM FF Shares**”), which, in accordance with separate agreements entered into by and between the Buyer, DDG, the DDG Vehicles and AG on the date hereof, will be subject to a 4 year lock up (the “**Lock Up**”) starting from the Closing Date (the “**Lock Up Period**”), provided, in any case, that, at the end of each anniversary of the Lock Up Period, 25% of such DTEAM FF Shares will be released from the Lock Up subject to the terms and conditions of such separate agreements;
- (d) as to the DHOLDING Price Portion:
 - (i) the Buyer shall pay to DHOLDING in cash, at Closing, a portion of the DHOLDING Price Portion equal to Euro 57,352,013.65 (the “**DHOLDING Cash Price Portion**” and, together with the DTEAM Cash Price Portion, the “**DDG Cash Price Portions**”) in accordance with Sections 3.3 and 8.2;
 - (ii) a portion of the DHOLDING Price Portion equal to Euro 74,157,757.28, through the issuance at Closing by Farfetch, on behalf of the Buyer and in favor of DHOLDING, of no. 3,862,248 Farfetch’s Class A Shares (the “**DHOLDING FF Shares**” and, together with the DTEAM FF Shares, the “**DDG FF Shares**”), which, in accordance with separate agreements entered

into by and between the Buyer, DDG, the DDG Vehicles and AG on the date hereof, will be subject to the Lock Up for the Lock Up Period, provided, in any case, that, at the end of each anniversary of the Lock Up Period, 25% of such DHOLDING FF Shares will be released from the Lock Up subject to the terms and conditions of such separate agreements;

(e) as to the AG Price Portion:

- (i) the Buyer shall pay to AG in cash, at Closing, a portion of the AG Price Portion equal to Euro 5,407,773.60 (the “**AG Cash Price Portion**” and, together with the Antonioli Cash Price Portion, the MB Vehicle Cash Price Portion, and the DDG Cash Price Portions, the “**Closing Cash Price Portions**”) in accordance with Sections 3.3 and 8.2;
- (ii) a portion of the AG Price Portion equal to Euro 5,407,773.60, through the issuance at Closing by Farfetch, on behalf of the Buyer and in favor of AG, of no. 281,646 Farfetch’s Class A Shares (the “**AG FF Shares**” and together with the Antonioli FF Shares, the MB Vehicle FF Shares, and the DDG FF Shares, the “**Closing FF Shares**”), which, in accordance with separate agreements entered into by and between the Buyer, DDG, the DDG Vehicles and AG on the date hereof, will be subject to the Lock Up for the Lock Up Period, provided, in any case, that, at the end of anniversary year of the Lock Up Period, 25% of such AG FF Shares will be released from the Lock Up subject to the terms and conditions of such separate agreements.

3.3 Cash Payments

The Parties hereby agree that, subject to the terms and conditions of this Agreement, the Closing Cash Price Portions shall be paid by the Buyer to the Sellers at Closing, simultaneously with the transfer of the Shares in favor of the Buyer, as follows:

(a) as to the Antonioli Cash Price Portion:

- (i) the Buyer shall pay to Antonioli in cash, at Closing, a portion of the Antonioli Cash Price Portion equal to Euro 94,040,017.29, by wire transfer in immediately available funds with value date (*i.e.*, *data valuta*) on the Closing Date on the following bank account:

IBAN: IT04Q0337001600131595000005

Client name: ANTONIOLI S.r.l.

Beneficiary bank: J.P. Morgan Bank Luxembourg S.A. – Succursale di Milano

BIC code: JPMGITMM

Intermediary bank: JPMORGAN CHASE BANK, N. A., Milan

BIC code: CHASITMX ; and

- (ii) the Buyer shall pay to Antonioli in cash, at Closing, a portion of the Antonioli Cash Price Portion equal to Euro 21,114,222.07 (the “**Antonioli Escrow Amount**”), by wire transfer in immediately available funds with value date (*i.e.*, *data valuta*) on the Closing Date by depositing such amount with the Escrow Agent, on the Escrow Account, as guarantee for the payment obligations of Antonioli in relation to any payment (i) of the Relevant

Percentage of the Negative Difference (if any), and (ii) relating to the relevant Sellers Indemnification Obligations, the Trade Working Capital Special and the Special Indemnification Obligations. It being understood that the Escrow Agent will keep in escrow and then release the Antonioni Escrow Amount pursuant to, and in accordance with, the terms and conditions of the Escrow Agreement to be entered into on the Closing Date and attached hereto as **Schedule 3.3(a)(ii)**;

(b) as to the MB Vehicle Cash Price Portion:

- (i) the Buyer shall pay to MB Vehicle in cash, at Closing, a portion of the MB Vehicle Cash Price Portion equal to Euro 71,523,393.43, by wire transfer in immediately available funds with value date (*i.e., data valuta*) on the Closing Date on the following bank account:

IBAN: IT 65 Z 03075 01603 CC8000723137
Client name: MARCELO BURLON SRL
Beneficiary bank: Banca Generali S.p.A., P.zza St. Alessandro 4,
Milan
BIC code: BGENIT2TXXX; and

- (ii) the Buyer shall pay to MB Vehicle in cash, at Closing, a portion of the MB Vehicle Cash Price Portion equal to Euro 16,058,704.11 (the “**MB Vehicle Escrow Amount**”), by wire transfer in immediately available funds with value date (*i.e., data valuta*) on the Closing Date by depositing such amount with the Escrow Agent, on the Escrow Account, as guarantee for the payment obligations of MB Vehicle in relation to any payment (i) of the Relevant Percentage of the Negative Difference (if any), and (ii) relating to the relevant Sellers Indemnification Obligations, the Trade Working Capital Special and the Special Indemnification Obligations. It being understood that the Escrow Agent will keep in escrow and then release the MB Vehicle Escrow Amount pursuant to, and in accordance with, the terms and conditions of the Escrow Agreement to be entered into on the Closing Date;

(c) as to the DTEAM Cash Price Portion:

- (i) the Buyer shall pay to DTEAM in cash, at Closing, a portion of the DTEAM Cash Price Portion equal to Euro 44,548,013.73, by wire transfer in immediately available funds with value date (*i.e., data valuta*) on the Closing Date on the following bank account:

IBAN: IT34 N033 7001 6001 3158 5000 004
Client name: DTEAM SRL
Beneficiary bank: J.P. Morgan Bank Luxembourg S.A. – Succursale di
Milano
BIC code: JPMGITMM
Intermediary bank: JPMORGAN CHASE BANK, N. A., Milan
BIC code: CHASITMX ; and

- (ii) the Buyer shall pay to DTEAM in cash, at Closing, a portion of the DTEAM Cash Price Portion equal to Euro 13,254,211.98 (the “**DTEAM Escrow Amount**”), by wire transfer in immediately available funds with value date (*i.e., data valuta*) on the Closing Date by depositing such amount with the Escrow Agent, on the Escrow Account, as guarantee for the payment obligations of DTEAM in relation to (i) any payment of the Relevant Percentage of the Negative Difference (if any), and (ii) relating to the relevant Sellers Indemnification Obligations, the Trade Working Capital Special and the Special Indemnification Obligations. It being understood that the Escrow Agent will keep in escrow and then release the DTEAM Escrow Amount pursuant to, and in accordance with, the terms and conditions of the Escrow Agreement to be entered into on the Closing Date;

(d) as to the DHOLDING Cash Price Portion:

- (i) the Buyer shall pay to DHOLDING in cash, at Closing, a portion of the DHOLDING Cash Price Portion equal to Euro 44,201,036.56, by wire transfer in immediately available funds with value date (*i.e., data valuta*) on the Closing Date on the following bank account:

IBAN: IT13 I033 7001 6001 3157 5000 001

Client name: DHOLDING SRL

Beneficiary bank: J.P. Morgan Bank Luxembourg S.A. – Succursale di Milano

BIC code: JPMGITMM

Intermediary bank: JPMORGAN CHASE BANK, N. A., Milan

BIC code: CHASITMX ; and

- (ii) the Buyer shall pay to DHOLDING in cash, at Closing, a portion of the DHOLDING Cash Price Portion equal to Euro 13,150,977.09 (the “**DHOLDING Escrow Amount**”), by wire transfer in immediately available funds with value date (*i.e., data valuta*) on the Closing Date by depositing such amount with the Escrow Agent, on the Escrow Account, as guarantee for the payment obligations of DHOLDING in relation to (i) any payment of the Relevant Percentage of the Negative Difference (if any), and (ii) relating to the relevant Sellers Indemnification Obligations and the Trade Working Capital Special and the Special Indemnification Obligations. It being understood that the Escrow Agent will keep in escrow and then release the DHOLDING Escrow Amount pursuant to, and in accordance with, the terms and conditions of the Escrow Agreement to be entered into on the Closing Date; and

(e) as to the AG Cash Price Portion:

- (i) the Buyer shall pay to AG in cash, at Closing, a portion of the AG Cash Price Portion equal to Euro 4,326,218.88 less the amount of the Tax paid by NGG on behalf of AG which is equal to Euro 800,000.00, by wire transfer in immediately available funds with value date (*i.e., data valuta*) on the Closing Date on the following bank account:

IBAN: IT63 V033 7001 6001 3160 5000 003

Client name: Andrea Grilli

Beneficiary bank: J.P. Morgan Bank Luxembourg S.A. – Succursale di Milano

BIC code: JPMGITMM

Intermediary bank: JPMORGAN CHASE BANK, N. A., Milan

BIC code: CHASITMX ; and

it remains understood that by means of the aforementioned deduction of Euro 800,000.00 (eight hundred thousand/00), the Buyer (with effect from Closing and also on behalf of NGG) declares that AG is discharged from and has no longer any corresponding debt vis-à-vis NGG;

- (ii) the Buyer shall pay to AG in cash, at Closing, a portion of the AG Cash Price Portion equal to Euro 1,081,554.72 (the “**AG Escrow Amount**” and, together with the Antonioli Escrow Amount, the MB Vehicle Escrow Amount, the DTEAM Escrow Amount, and the DHOLDING Escrow Amount, the “**Escrow Amount**”), by wire transfer in immediately available funds with value date (*i.e.*, *data valuta*) on the Closing Date by depositing such amount with the Escrow Agent, on the Escrow Account, as guarantee for the payment obligations of AG in relation to (i) any payment of the Relevant Percentage of the Negative Difference (if any), and (ii) relating to the relevant Sellers Indemnification Obligations the Trade Working Capital Special and the Special Indemnification Obligations. It being understood that the Escrow Agent will keep in escrow and then release the AG Escrow Amount pursuant to, and in accordance with, the terms and conditions of the Escrow Agreement to be entered into on the Closing Date.

3.4 Key Principles on the Release of the Escrow Amount from the Escrow Account

- (a) The Escrow Amount shall be released by the Escrow Agent, in accordance with the provisions of the Escrow Agreement and the key principles described below, which shall be reflected in the Escrow Agreement:
 - (i) the Escrow Agent shall release to Buyer any amount in cash, by deducting any such amount from the Sellers’ relevant portions of the Escrow Amount, which has become payable to the Buyer by the relevant Seller (i) as Relevant Percentage of the Negative Difference (if any), or (ii) in respect of the relevant Sellers Indemnification Obligations or the special indemnities set forth in Section 12 (the “**Buyer Release Amounts**”) prior to expiration of the 15th month following the Closing Date, within 5 (five) Business Days following the date on which any such Buyer Release Amount become payable pursuant to this Agreement;
 - (ii) a portion of the Escrow Amount equal to Euro 16,164,917.49 shall be released from the Escrow Agent to the Sellers, according to the Relevant Percentages, within 10 (ten) Business Days following:
 - (A) the 180th day following the Closing Date; or, if earlier

- (B) the date on which the procedure to determine the Final Price is finally completed according to Section 4.2 (including in the event no Price Adjustment Notice requiring a Negative Difference is served by the Buyer); or
- (C) in case the procedure to determine the Final Price according to Section 4.2 is still pending at the date under Section (A) above, the date on which such procedure under Section 4.2 has been completed, provided that, in such case, any portion of the Escrow Amount equal to the difference between Euro 16,164,917.49 and the Disputed Amounts (as defined below) shall be released in favor of the Sellers, according to the Relevant Percentage, at the date under Section (A) above.

It remains understood that following the release under this point (ii), the amount so remaining deposited with the Escrow Agent, shall be considered for all the purposes of this Agreement as the Escrow Amount.

- (iii) within 10 (ten) Business Days following the expiration of the 15th month following the Closing Date (“**Release Date**”), the Escrow Agent shall release to each Seller an amount equal to:

- (A) the relevant portion of the Escrow Amount

minus

- (B) the Buyer Release Amounts (if any) released to the Buyer pursuant to Paragraph (i) above and pertaining to the relevant Seller; and

minus

- (C) any Retained Amount (if any) pertaining to the relevant Seller,

whereby, “**Retained Amount**” means the aggregate amount of the claims raised by Buyer in relation to the Sellers Indemnification Obligations, the Trade Working Capital Special, the Special Indemnification Obligations and/or in relation to the Negative Difference which, as at the day which falls on Release Date, is still pending or outstanding or subject to dispute between the Parties and (as far as the Sellers Indemnification Obligations are concerned) provided that, in case of a Direct Claim (and, for the sake of clarity, excluding any Third-Party Claim for which the exceptions below in this paragraph shall not apply, and which shall therefore be considered for the purposes of the Retained Amount), (a) caused to the Buyer and/or any of the NGG Group Company a monetary Loss indemnifiable pursuant to this Agreement or (b) to the extent it did not cause any of such indemnifiable monetary Loss, the Buyer started a proceeding against the Seller(s) pursuant to Section 16.10 below within 6 (six) months following the relevant claim. In such cases, the relevant Sellers Indemnification Obligations shall last until a final resolution on any such actual or alleged breach is reached and the relevant amount of the Sellers Indemnification Obligations (if any) is duly paid (the “**Pending Claim**”).

It remains understood that the Retained Amount shall be kept in escrow by the Escrow Agent pursuant to the Escrow Agreement until the relevant Pending Claims are finally solved pursuant to this Agreement.

4. CALCULATION OF THE FINAL PRICE

4.1 Calculation of the Final Price

The Parties hereby agree that the Provisional Price shall be adjusted as follows:

- (a) in the event that the Actual 2018 Group EBITDA is less than the Target 2018 Group Consolidated EBITDA by more than Euro 800,000.00 (eight hundred thousand), the Provisional Price shall be reduced, on an Euro for Euro basis, for an amount corresponding to the shortfall of the Actual 2018 Group EBITDA in respect of the Target 2018 Group Consolidated EBITDA (the “**EBITDA Shortfall**”) multiplied by 10 (the “**EBITDA Adjustment**”), provided that in no event shall the amount of the EBITDA Adjustment exceed an amount equal to 7.5% (seven point five percent) of the Final Price;
- (b) in the event that the Closing NFP is less than the Reference NFP, the Provisional Price shall be reduced, on an Euro for Euro basis, for an amount corresponding to the shortfall (the “**NFP Shortfall**”) of the Closing NFP in respect of the Reference NFP (the “**NFP Shortfall Adjustment**”); and
- (c) in the event that the Closing NFP is higher than the Reference NFP, the Provisional Price shall be increased, on an Euro for Euro basis, for an amount corresponding to the excess (the “**NFP Excess**”) of the Closing NFP in respect of the Reference NFP (the “**NFP Excess Adjustment**”).

It is agreed that in case of Positive Difference, the Buyer shall pay to the Sellers (according to the Relevant Percentages) the amount of the Positive Difference. The obligation of the Buyer to pay the Positive Difference shall be satisfied through the issuance by Farfetch on behalf of the Buyer of a number of Class A Farfetch Shares to be calculated as follows: Positive Difference divided by the weighted average volume price of Class A Farfetch Shares of the 10 (ten) trading days prior to the date of payment.

In case of Negative Difference, each of the Sellers shall be responsible, on a several and not joint basis (except for the DDG Vehicles which shall be responsible on a joint basis), to pay to the Buyer the Relevant Percentage of the Negative Difference.

The Parties hereby agree that for the avoidance of any doubt, if it is determined pursuant to Section 4.2 below that there is no EBITDA Shortfall, NFP Shortfall or NFP Excess, then the Provisional Price shall be considered as being the Final Price for all the purposes of the Agreement and shall not be subject to any adjustment or reduction and it shall be final and binding between the Parties, without prejudice to what otherwise set forth in this Agreement.

4.2 Procedure to determine the Final Price

- (a) For the purposes of the calculation of the Final Price, the Parties hereby agree as follows:
 - (i) within 60 (sixty) Business Days following the Closing Date, the Buyer shall prepare and deliver to the Sellers a notice (the “**Price Adjustment Notice**”) expressly indicating the proposed amount of:
 - (A) Actual 2018 Group EBITDA;
 - (B) the Closing NFP; and, if any
 - (C) the EBITDA Adjustment;

- (D) the NFP Shortfall Adjustment; or
- (E) the NFP Excess Adjustment; and
- (F) the calculation of the Positive Difference or the Negative Difference),

together with all reasonable details and supporting evidence to such calculations.

- (ii) in the event that (a) the Sellers are satisfied with the Price Adjustment Notice (such satisfaction resulting in writing) and the relevant proposed amount of the Positive Difference or the Negative Difference as the case may be (either as originally submitted by the Buyer or after adjustments agreed in writing between the Sellers and the Buyer), or (ii) the Sellers fail to serve a notice (the “**Objection Notice**”) to the Buyer notifying:

- (A) the non-acceptance – in whole or in part – of the Price Adjustment Notice, as well as of the proposed calculations of the Actual 2018 Group EBITDA, the Closing NFP, the EBITDA Adjustment, the NFP Shortfall Adjustment or the NFP Excess Adjustment and the Positive Difference or the Negative Difference;
- (B) the items which are disputed; and
- (C) the basis upon which they dispute such items,

within 60 (sixty) Business Days after the receipt of the Price Adjustment Notice, then – the non-disputed portion of – the Price Adjustment Notice, as well as of the calculation thereof shall be final and binding for the purposes of this Agreement on the Sellers and the Buyer;

- (iii) if the Objection Notice is timely served by the Sellers to the Buyer, the Parties shall attempt in good faith, to reach an agreement in respect of the matters referred to in the Objection Notice (the “**Disputed Matters**”) within 30 (thirty) Business Days following receipt by the Buyer of the Objection Notice; and

- (iv) in the event that the Parties are unable to reach an agreement on each Disputed Matter within the term mentioned in Paragraph (iii) above, the Independent Expert shall settle and determine those Disputed Matters in relation to which the Parties failed to reach an agreement (the “**Disputed Amounts**”), and shall deliver its final determinations to the Parties within 30 (thirty) Business Days together with a notice indicating the Actual 2018 Group EBITDA, the Closing NFP, the EBITDA Adjustment, the NFP Shortfall Adjustment or the NFP Excess Adjustment and the Positive Difference or the Negative Difference (reflecting the Independent Expert’s determination in relation to the Disputed Amounts and the agreements between the Parties in relation to any Disputed Matter).

- (v) It remains agreed between the Parties that:

- (A) the Independent Expert, in settling and determining the Disputed Amounts, shall (i) take into consideration the agreements reached between the Parties in relation to the Disputed Matters which are not Disputed Amounts, and (ii) apply and take into consideration the Accounting Principles;

- (B) the determinations of the Independent Expert pursuant to this Section 4.2(a)(iv) shall be final and binding upon the Parties (except for the provision of Article 1349 of the Code);
 - (C) all the fees and disbursements of the Independent Expert due in connection with the resolution of the Disputed Amounts hereto and with the provision of the services contemplated hereby shall be borne by the Parties equally (50%-50%) between the Buyer and the Sellers; and
 - (D) the Buyer shall allow the Independent Expert to have access to the books, records, personnel of any NGG Group Company to the maximum extent required, in its reasonable judgment and prior consultation of the Parties, to perform the services contemplated hereby.
- (b) For the purposes of this Section 4.2, the Buyer shall cause any NGG Group Company, the NGG Group's management and employees to provide all the cooperation that the Sellers and the relevant auditors, accountants and consultants may in good faith deem strictly necessary in the review of Price Adjustment Notice.
 - (c) The Parties hereby agree that the Positive Difference or the Negative Difference (if any) shall be paid in accordance with the provisions of Section 4.1(a) above within 5 (five) Business Days, following the date on which the amount of the Price Adjustment is determined pursuant to this Section 4.2.
 - (d) For clarity, it is understood that each Seller – severally and not jointly with the other Sellers – may enforce the rights and faculties set forth under this Section 4.2.

4.3 **Antonioli Price fluctuation adjustment**

- (a) It is agreed that:
 - (i) in the event that the Liquid Date Price Per FF Share is less than the Closing FF Price Per Share by at least 0.5%, then the Buyer shall pay to Antonioli the Downwards Price Fluctuation Adjustment pursuant to Section 4.3(b)(i) below;
 - (ii) in the event that the Liquid Date Price Per FF Share is greater than the Closing FF Price Per Share by at least 0.5%, then Antonioli shall pay to the Buyer the Upwards Price Fluctuation Adjustment, pursuant to Section 4.3(b)(ii) below; and
 - (iii) in the event that the Liquid Date Price Per FF Share is equal to the Closing FF Price Per Share, then no payment shall be required by either party pursuant to this Section 4.3.

Where

“**Liquid Date**” means the day on which the holding period in respect of the Antonioli FF Shares ends pursuant to applicable Laws;

“**Liquid Date Price Per FF Share**” is an amount in US\$ equal to the volume weighted average price of the Farfetch's Class A Shares over 10 (ten) trading days prior to the Liquid Date, as published by NYSE;

“**Closing FF Price Per Share**” is US\$ 21.42 (*i.e.* the price per share attributed to the Closing FF Shares as determined according to this Agreement);

“**Downwards Price Fluctuation Adjustment**” means the amount (in US\$) equal to (a) the difference between (1) the Closing FF Price Per Share and (2) the Liquid Date Price Per FF Share, *multiplied by* (b) the amount of the Antonioli FF Shares (*i.e.* no. 4,999,200 Farfetch’s Class A Shares);

“**Upwards Price Fluctuation Adjustment**” means the amount (in US\$) equal to (a) the difference between (1) the Liquid Date Price Per FF Share and (2) the Closing FF Price Per Share, *multiplied by* (b) the amount of the Antonioli FF Shares (*i.e.* no. 4,999,200 Farfetch’s Class A Shares).

(b) It is further agreed that:

- (i) the Buyer shall satisfy the obligation to pay to Antonioli the Downwards Price Fluctuation Adjustment (if any) through the issuance by Farfetch, on behalf of the Buyer and in favour of Antonioli, of such amount of Farfetch’s Class A Shares (or such closest whole number in order to avoid any split of shares) which is equal to (a) the Downwards Price Fluctuation Adjustment divided by (b) the Liquid Date Price Per FF Share;
- (ii) Antonioli shall pay to the Buyer the Upwards Price Fluctuation Adjustment (if any) through the transfer to the Buyer of such amount of Antonioli FF Shares (or such closest whole number in order to avoid any split of shares) which is equal to (a) the Upwards Price Fluctuation Adjustment divided by (b) the Liquid Date Price Per FF Share;
- (iii) no further adjustment shall be made pursuant to Section 4.3(a) in respect of the shares issued by Farfetch, on behalf of the Buyer, pursuant to paragraph (i) above.

4.4 MB Vehicle Price fluctuation adjustment

(a) It is agreed that:

- (i) in the event that the Liquid Date Price Per FF Share is less than the Closing FF Price Per Share by at least 0.5%, then the Buyer shall pay to the MB Vehicle the Downwards Price Fluctuation Adjustment pursuant to Section 4.4(b)(i) below;
- (ii) in the event that the Liquid Date Price Per FF Share is greater than the Closing FF Price Per Share by at least 0.5%, then the MB Vehicle shall pay to the Buyer the Upwards Price Fluctuation Adjustment, pursuant to Section 4.4(b)(ii) below; and
- (iii) in the event that the Liquid Date Price Per FF Share is equal to the Closing FF Price Per Share, then no payment shall be required by either party pursuant to this Section 4.4.

Where

“**Liquid Date**” means the day on which the holding period in respect of the MB Vehicle FF Shares ends pursuant to applicable Laws;

“**Liquid Date Price Per FF Share**” is an amount in US\$ equal to the volume weighted average price of the Farfetch’s Class A Shares over 10 (ten) trading days prior to the Liquid Date, as published by NYSE;

“**Closing FF Price Per Share**” is US\$ 21.42 (i.e. the price per share attributed to the Closing FF Shares as determined according to this Agreement);

“**Downwards Price Fluctuation Adjustment**” means the amount (in US\$) equal to (a) the difference between (1) the Closing FF Price Per Share and (2) the Liquid Date Price Per FF Share, *multiplied by* (b) the amount of the MB Vehicle FF Shares (i.e. no. 3,802,208 Farfetch’s Class A Shares);

“**Upwards Price Fluctuation Adjustment**” means the amount (in US\$) equal to (a) the difference between (1) the Liquid Date Price Per FF Share and (2) the Closing FF Price Per Share, *multiplied by* (b) the amount of the MB Vehicle FF Shares (i.e. no. 3,802,208 Farfetch’s Class A Shares).

(b) It is further agreed that:

- (i) the Buyer shall satisfy the obligation to pay to Antonioli the Downwards Price Fluctuation Adjustment (if any) through the issuance by Farfetch, on behalf of the Buyer and in favour of Antonioli, of such amount of Farfetch’s Class A Shares (or such closest whole number in order to avoid any split of shares) which is equal to (a) the Downwards Price Fluctuation Adjustment divided by (b) the Liquid Date Price Per FF Share;
- (ii) the MB Vehicle shall satisfy the obligation to pay to the Buyer the Upwards Price Fluctuation Adjustment (if any) through the transfer to the Buyer of such amount of MB Vehicle FF Shares (or such closest whole number in order to avoid any split of shares) which is equal to (a) the Upwards Price Fluctuation Adjustment *divided by* (b) the Liquid Date Price Per FF Share; and
- (iii) no further adjustment shall be made pursuant to Section 4.3(a) in respect of the shares issued by Farfetch, on behalf of the Buyer, pursuant to paragraph (i) above.

5. PRE-CLOSING ACTIONS

5.1 KYC

The Sellers undertake to cooperate with the Buyer with respect to all reasonable requests that it might have to comply with the relevant “*know your customer*” internal policy and procedures in connection with the envisaged Transaction (including, without limitation, by providing notarized and apostilled copies of passports, IDs certificates of incorporation and/or any other relevant document concerning the Sellers and/or any of the NGG Group Companies). It is understood that any reasonable and duly documented cost and expense incurred by the Sellers for the purposes thereof shall be borne by the Buyer.

5.2 Resignations of directors and auditors and designation of the directors and auditors

- (a) The Sellers shall cause all of the directors of the Company and/or of the Subsidiaries to be notified in writing by the Buyer to the Sellers timely prior to the Closing Date to resign or otherwise cease from their offices as of the Closing Date and to deliver to the Buyer and the Company and/or the relevant Subsidiary the resignation letters (the “**Directors Resignation Letters**”) confirming that they have no claims for compensation for termination, loss of office, unpaid remuneration or otherwise *vis-à-vis* the Company and/or the relevant Subsidiary, with the exception of any amount accrued in relation to such office up to the Closing Date and unpaid at the Closing Date (if any).

- (b) The Sellers shall use their reasonable efforts to induce the statutory auditor or the members (effective and/or alternate) of the board of statutory auditors (or any other similar supervisory body) of the Company and/or of the Subsidiaries to be notified in writing by the Buyer to the Sellers timely prior to the Closing Date to resign from the office on or as of the Closing Date and to deliver to the Buyer and the Company and/or the relevant NGG Group Company the resignation letters (the “**Statutory Auditors Resignation Letters**”) confirming that they have no claims for compensation for termination, loss of office, unpaid remuneration or otherwise *vis-à-vis* the Company and/or the relevant Subsidiary, with the exception of any amount accrued in relation to such office up to the Closing Date (or up to the effective date of resignation) and unpaid at the Closing Date (or at the effective date of resignation), if any.
- (c) Timely prior to the Closing Date, the Buyer shall notify to the Sellers the designations of:
- (i) the directors of the Company and/or of the other NGG Group Companies to be appointed at Closing upon designation of the Buyer; and
 - (ii) the statutory auditor or the members (effective and/or alternate) of the board of statutory auditors (or any other similar supervisory body) of the Company and/or of the other NGG Group Companies to be appointed at Closing upon designation of the Buyer.

For clarity, on Closing, immediately after the transfer of the Shares from the Sellers to the Buyer, the latter shall cause the shareholders’ meetings of the Group Companies to be held in order to replace the resigned directors and auditors.

- (d) Prior to or on the Closing Date, the Sellers shall:
- (i) cause the shareholders’ meetings of the Company and County to be validly held on the Closing Date for the purpose of appointing new directors and new statutory auditors, all in accordance with the designations made by the Buyer pursuant to Section 5.2(c);
 - (ii) cause the shareholders’ meeting of the Company to be held on the Closing Date in order to resolve upon the adoption of the NGG By-Laws that the Buyer will timely notify to the Sellers prior to Closing;
 - (iii) cause the shareholders’ meetings of the Company and County to be validly held on the Closing Date in order to resolve upon, to the maximum extent permitted by applicable Laws (and, in any case, with the sole exception of fraud (*dolo*) and gross negligence (*colpa grave*)), the release and discharging of the resigning directors and statutory auditors of the Company and/or of the other NGG Group Companies, from and against any and all liabilities arising from their holding of the offices as, respectively, directors and statutory auditors of such company up to the Closing Date.
- (e) The Sellers undertake to cause the resigning directors of the NGG Group Companies other than County to abstain from any management activities of such companies (other than activities mandatory according to applicable Law) and to promptly convene, upon request of the Buyer, the shareholders’ meeting of the NGG Group Companies other than County to be held for the purpose of (i) appointing new directors and new statutory auditors, all in accordance with the designations made by the Buyer pursuant to Section 5.2(c), and (ii) to the maximum extent permitted by applicable Laws (and, in any case, with the sole exception of fraud (*dolo*) and gross negligence (*colpa grave*)), the release and discharging of the resigning directors and statutory auditors of the NGG Group Companies other than County, from and against any and all liabilities arising from their holding of the offices as, respectively, directors and statutory auditors of such company up to the Closing Date;

5.3 Pre-Closing Reorganizations

The MB Vehicle and AG (each as far as it / he is concerned) agree to subscribe, prior to Closing, the Capital Increases and, therefore, (i) the MB Vehicle shall execute the MB Contributions in accordance with applicable Laws and (ii) AG shall subscribe for, execute and pay-in the AG Capital Increase. The Sellers shall cause that the Company is registered as sole owner of the MB Subsidiaries Quotas with the Companies' Register and the relevant quotaholders' ledgers.

5.4 Actions relating to the issuance of the Closing FF Shares

- (a) Farfetch undertakes to (i) issue, at Closing, the Closing FF Shares to the Sellers in accordance with applicable Laws and this Agreement and (ii) carry out, prior to or on the Closing Date, all actions and transactions which, in accordance with applicable Laws and this Agreement, are required or reasonably useful to issue the Closing FF Shares to the Sellers at Closing.
- (b) Each of the Sellers undertakes (severally among themselves, but not jointly and severally) to carry out, prior to or on the Closing Date, all actions which are necessary or reasonably useful to receive the Closing FF Shares at Closing, including providing any information that may be reasonably and timely requested by Farfetch's transfer agent and opening a deposit/brokerage account with a financial institution.

5.5 Farfetch's covenants in relation to the Class A Shares

Farfetch hereby undertake to comply with the covenants set forth in **Schedule 5.5**.

5.6 Delivery of the Closing Financial Documents

The Sellers shall procure that NGG promptly delivers to the Buyer copies of the Closing Financial Documents as soon as such documents are provided to NGG by KPMG S.p.A.

5.7 Alanui Agreements

By executing this Agreement, the Buyer and Farfetch declare and state to be fully satisfied with the Alanui Agreements whose terms and conditions are well known to them; therefore, the Buyer and Farfetch and the Sellers acknowledge and agree that: (i) NGG is entitled to enter into the Alanui Agreements prior to the Closing Date and consummate the transactions contemplated thereunder according to the relevant terms and conditions; (ii) upon consummation of such transactions, NGG will hold 53% of Alanui's corporate capital and the remaining portion of Alanui's capital shall be held by Oddi Holding S.r.l. and Carlotta Oddi 23.5% each; and (iii) this Agreement shall be considered as being automatically amended in order to reflect the different structure of Alanui's capital.

6. INTERIM MANAGEMENT COVENANTS

6.1 Interim Management

- (a) Unless otherwise provided in this Agreement or consented upon in writing by the Buyer, the Sellers (severally and not jointly) shall, during the period from the date hereof (included) to the Closing Date (included) (the “**Interim Management Period**”), cause that the Company and the other NGG Group Companies are managed, in the ordinary course of their business in compliance with the applicable Law and in accordance with past practices and, to that purpose, the Sellers shall not transfer or create any Encumbrance on the Shares, and shall cause each of the Company and the Subsidiaries, not to:
- (i) issue any shares, options, warrants, subscription or conversion rights or execute contracts or agreements or assume obligations of any nature under which they shall be obliged, under condition or otherwise, to issue or sell new shares or any other securities which could be exchanged with or converted into share capital or be obliged to reimburse or repurchase its own shares;
 - (ii) increase or reduce its corporate capital (except in the cases provided under articles 2482-bis, 2482-ter and 2446 and 2447 of the Code or similar applicable provisions of the applicable Law) nor amend its articles of incorporation or by-laws, merge, de-merge, transform into another type of company, nor approve any liquidation or winding up procedure, in any case with the exception of the amendments to the By-laws of NGG required or contemplated hereunder;
 - (iii) sell or transfer the shares held by the Company into any other NGG Group Company; or grant, create, assume or otherwise incur any Encumbrance on (A) the shares held by the Company into any other NGG Group Company, (B) any assets of the Company or any other NGG Group Company having a value higher than Euro 10,000 or otherwise give any guarantee having a value higher than Euro 10,000, except in the ordinary course of business and consistently with past practice;
 - (iv) redeem, purchase or otherwise acquire, any of its capital stock or any other of its equity interests, or any instrument or security which consists of or includes a right to acquire such capital stock or other equity interest, or amend the terms of any such security;
 - (v) enter into any legal partnership, consortium, association, joint venture, agreement or arrangement for the sharing of profits or assets; incorporate new companies nor dispose of any equity interest in any Subsidiary; nor purchase, cease, or lease, nor dispose of, any business as a going concern (*azienda* or *ramo di azienda*);
 - (vi) purchase fixed assets having a value in excess of Euro 50,000.00 or purchase fixed assets having a cumulative value in excess of Euro 100,000.00;
 - (vii) sell or assign fixed assets having a value in excess of Euro 50,000.00 or sell or assign fixed assets having a cumulative value in excess of Euro 100,000.00;
 - (viii) carry out any action, activity and/or transaction, which may result in the revocation, non-renewal, termination or ceasing of any license, permit, or

authorization which is necessary for the NGG Group Companies to carry out their respective business;

- (ix) enter into any loan or financing agreement or arrangement, except for trade debts to suppliers of goods or services in the ordinary course of business or short-term loans entered into in the ordinary course of business and on terms consistent with the past practices;
- (x) prepay any borrowed money for an amount exceeding Euro 50,000.00;
- (xi) compromise or settle any action, claim, arbitration, suit, litigation procedure in excess of Euro 50,000.00 each or in excess of Euro 100,000.00 on a cumulative basis;
- (xii) change or alter the Accounting Principles and practices applied by the Company and any other NGG Group Company other than in the ordinary course of business or if required by Accounting Principles and/or applicable Laws;
- (xiii) alter the nature or scope of the business carried out by the Company and any other NGG Group Company;
- (xiv) change the salary and employment conditions of the directors, top managers, executives and employees of the Company and any other NGG Group Company, except as required by Law, by the applicable collective bargaining agreements, by the NGG Group Companies standard practices or by individual agreements with the directors, top managers, executives and employees of the Company and any other NGG Group Company entered into prior to the date of this Agreement, as well pay any extraordinary bonuses other than in accordance with the NGG Group Companies past practices and duly documented bonuses in connection with the Transaction;
- (xv) engage or hire new employees (except those necessary to cover departures or new job positions required in the ordinary course of business) with an annual compensation in excess of Euro 50,000.00;
- (xvi) enter into, modify or terminate contracts of any kind having a duration of over 12 months and entailing revenues in excess of Euro 100,000.00 or entailing payments, costs, or expenses of an amount in excess of Euro 200,000.00;
- (xvii) enter into or authorize any new, or amend current, transactions, arrangements, or understandings, between the Company and/any other NGG Group Company, on one side, and the Sellers and/or any of the NGG Group Companies' or Sellers' Related Parties, on the other side;
- (xviii) in relation to the Company and/or any other NGG Group Company, change its residence for any Tax purpose or establish any branch, agency, permanent establishment or other taxable presence in any jurisdiction outside its jurisdiction of incorporation;
- (xix) in relation to the Company and/or any other NGG Group Company, make any amendment to a Tax return or make, amend or withdraw any election or claim for Tax purposes to the extent that it would be inconsistent with previous practice of the Company or any such other NGG Group Companies; and/or
- (xx) undertake to do any of the foregoing.

- (b) Notwithstanding anything to the contrary in this Agreement, during the Interim Management Period, the Seller s, the Company and/or any other NGG Group Company shall be entitled to carry out any action as may be required or appropriate for the purposes of:
- (i) implementing any action agreed with, or consented by, the other Party in writing;
 - (ii) implementing any action pursuant to, or in accordance with, the terms of this Agreement;
 - (iii) implement the winding up procedure of APA;
 - (iv) complying with orders of any Authority having jurisdiction over the Sellers, the Company and/or any other NGG Group Company; and/or
 - (v) complying with the requirements or obligations provided for by applicable Laws;
 - (vi) entering into the Alanui Agreements and consummating the transaction provided thereunder.

It being understood that in any circumstances under Paragraphs (iv) and/or (v) above, the Party shall inform in writing in advance the other Party of the action to be implemented or carried out.

7. CONDITIONS TO CLOSING

7.1 Condition to Closing

The obligation of the Parties to effect the Closing hereunder is subject to the satisfaction by the Long Stop Date of the Conditions.

The Parties acknowledge and agree that the Conditions are set forth for the benefit of the Buyer and can only be waived by the Buyer, at its sole discretion.

Should any of the Conditions to Closing not be fulfilled or otherwise waived by the Buyer within the Long Stop Date, this Agreement shall automatically terminate and cease to be effective and the Parties shall be released from all obligations hereunder, except in respect of any rights and Loss which have accrued before termination and for the provisions under Section 15 and 16 below; it being understood that the Buyer has the right, by serving a notice in writing to the Sellers, to postpone the Long Stop Date for additional 15 Business Days periods for as long as the Conditions to Closing have not been fulfilled, if at the Long Stop Date the Conditions to Closing have not been fulfilled or otherwise waived by the Buyer .

8. CLOSING

8.1 Closing Date and Time

The Closing shall take place, on the Closing Date, before the Notary, at the Milan office of Latham & Watkins LLP, located in Milan, Corso Matteotti no. 22 (or at any other place agreed by the Parties) at a time to be agreed among the Parties.

8.2 Deliveries at Closing

At Closing, subject to the Conditions having been met or waived, the Parties shall carry out and perform the following actions and transactions:

- (a) the Sellers shall:
- (i) execute and deliver, or cause to be executed and delivered, to the Buyer, any instruments as may be reasonably required under applicable Laws, to vest in the Buyer good and marketable title to the Shares, including the endorsement of the Shares (as applicable), before the Notary, the delivery of the endorsed certificates to the Buyer free and clear from any Encumbrances, and the registration of the Buyer as new sole shareholder of the Company in the relevant shareholders' ledgers;
 - (ii) execute and deliver, or cause to be executed and delivered, to the Buyer such other instruments as may be necessary, under applicable Laws, to properly complete the transactions set forth under this Agreement which must be completed by the Sellers on or before the Closing;
 - (iii) deliver the duly signed Directors Resignation Letters in accordance with Section 5.2;
 - (iv) deliver the duly signed Statutory Auditors Resignation Letters if delivered by the relevant statutory auditors in accordance with Section 5.2;
 - (v) cause the shareholders' meetings of the Company and County to be held to resolve upon (A) the appointment of new directors and, if applicable, new statutory auditors, all in accordance with the designations made by the Buyer pursuant to Section 5.2(c) and (B) release and discharge to the maximum extent permitted by applicable Laws (and, in any case, with the sole exception of fraud (*dolo*) and gross negligence (*colpa grave*)) the resigning directors and, if applicable, the statutory auditors of the Company and of County notified by the Buyer pursuant to Section 5.2 above, from and against any and all liabilities arising from their holding of the offices as, respectively, directors and statutory auditors of such company up to the Closing Date;
 - (vi) cause the shareholders' meetings of the Company to be held to resolve upon the adoption of the NGG By-Laws;
 - (vii) enter into the Escrow Agreement and deliver it to the Buyer and the Escrow Agent;
 - (viii) carry out all actions and transactions which are necessary or useful to receive the Closing FF Shares at Closing;
- (b) the Buyer:
- (i) shall pay to each Seller the relevant portion of the Closing Cash Price Portions in accordance with Section 3.3;
 - (ii) shall execute and deliver, or cause to be executed and delivered, to the Sellers such other instruments as may be necessary, under applicable Laws, to properly complete the transactions set forth under this Agreement which must be completed by the Buyer on or before the Closing Date;
 - (iii) and Farfetch shall issue the Closing FF Shares to the relevant Seller in accordance with the provisions of Section 3.2 free from any Encumbrance, except for the restrictions set forth under applicable Laws;

- (iv) exercise its rights to cause the shareholders' meetings of the Company and/or of the NGG Group Companies to resolve upon (A) the appointment of new directors and, if applicable, new statutory auditors, all in accordance with the designations made by the Buyer pursuant to Section 5.2(c), and (B) the release and discharging to the maximum extent permitted by applicable Laws (and, in any case, with the sole exception of fraud (*dolo*) and gross negligence (*colpa grave*)), of the resigning directors and, if applicable, statutory auditors of the Company and/or of the NGG Group Companies notified by the Buyer pursuant to Section 5.2 above, from and against any and all liabilities arising from their holding of the offices as, respectively, directors and statutory auditors of the relevant NGG Group Company up to the Closing Date;
 - (v) deliver duly signed letters, which shall be substantially in the form attached hereto as **Schedule 8.2(b)(v)**, to any directors and auditors who will have resigned from their offices pursuant to Section 5.2 and whereby the Buyer confirms that it waives, releases, discharges, holds harmless and indemnify any such resigning directors and/or statutory auditors (if applicable), against any and all claims, demands, proceedings, causes of action, orders, obligations, liabilities, costs (including legal fees) and damages that may arise as a consequence of any action, suit, claim or litigation brought against them in relation to their offices as directors and/or statutory auditors (or similar offices), as the case may be, of the NGG Group Companies up to the Closing Date, except in case of fraud (*dolo*) and gross negligence (*colpa grave*));
 - (vi) exercise its rights to cause the shareholders' meetings of the Company to resolve upon the adoption of the NGG By-Laws; and
 - (vii) enter into the Escrow Agreement and deliver it to the Sellers and the Escrow Agent; and
- (c) Farfetch shall:
- (i) issue the Closing FF Shares to the relevant Seller in accordance with the provisions of Section 3.2 free from any Encumbrance, except for the restrictions set forth under applicable Laws; and
 - (ii) execute and deliver to the Sellers, in a form reasonably acceptable to them, (A) copies of written instructions from Farfetch to Farfetch's transfer agent directing the transfer agent to record the ownership of the Closing FF Shares issued hereunder by Farfetch in the name of the Sellers, and (B) written confirmation from the transfer agent that it has duly recorded such transfer of the Shares, and (C) any other instruments as may be reasonably required or useful under applicable Laws and this Agreement to vest in the Sellers good and marketable title to, and transfer to them ownership of, the Closing FF Shares.

8.3 One Transaction

- (a) All actions and transactions constituting the Closing pursuant to Section 8.2 above shall be regarded as one single transaction so that, at the option of the Party having interest in the performance of the relevant specific action or transaction, no action or transaction constituting the Closing shall be deemed to have taken place if and until all other actions and transactions constituting the Closing shall have been properly performed in accordance with the provisions of this Agreement.

- (b) Therefore, if one of the Parties or any other third party required to do or perform an action or payment does not timely and duly perform one or more of its obligations or activity under this Section 8, the other Party shall have the right not to perform its obligations hereunder.
- (c) No action or transaction forming the Closing or however made in execution of the obligations hereunder will be construed as constituting a novation (*novazione*), modification or amendment of this Agreement, pursuant to Articles 1230 and 1231 of Code.

9. REPRESENTATIONS AND WARRANTIES OF THE SELLERS

9.1 Sellers Warranties

- (a) The Sellers hereby provide to the Buyer exclusively the representations and warranties contained in this Section 9 (the “**Sellers Warranties**”), which are *in lieu* of all other representations and warranties however provided under the applicable provisions of Law and constitute all of the representations and warranties made by the Sellers in connection with the NNG Group Companies (including their assets, liabilities and businesses), the Shares, the Transaction and any other action and transaction contemplated by this Agreement. Consequently, the Sellers do not make any representations nor give any warranties with reference to the Shares, the NGG Group Companies, their assets, liabilities and businesses and the Transaction other than those expressly and specifically given in this Section 9.
- (b) The Parties agree that (i) the Sellers Warranties pertaining exclusively to a Seller shall be deemed to be given only by such Seller (except for the DDG Vehicles which are deemed to provide the Sellers Warranties jointly), and (ii) the Sellers Warranties pertaining to any NGG Group Company, shall be deemed to be given by all the Sellers (but, in any case, severally among themselves, not jointly and in proportion to the Relevant Percentage, except for the DDG Vehicles which are deemed to provide the Sellers Warranties jointly).
- (c) The Sellers Warranties are true and correct as of the date of this Agreement and shall be true and correct on the Closing Date, except where expressly indicated otherwise.
- (d) The Sellers Warranties are deemed for all purposes to be qualified by:
 - (i) the express exceptions set forth in the Disclosure Letter and/or in this Agreement (including the other Schedules different from the Data Room, but without prejudice to the provisions of Section 9.1(d)(ii)). Accordingly, all the disclosures and information set forth in the Disclosure Letter and/or in this Agreement (including the relevant Schedules other than the Data Room, but without prejudice to the provisions of Section 9.1(d)(ii)) constitute express exceptions to the Sellers Warranties and, therefore, the Sellers shall have no indemnification obligations for any and all circumstances deriving or resulting from any such disclosure and information; and
 - (ii) any specific events, facts, matters or circumstances, which were clearly, fairly and specifically disclosed in good faith by the Sellers in the Data Room. Accordingly, all the specific events, facts, matters or circumstances, which are clearly and fairly disclosed in good faith by the Sellers in the Data Room constitute express exceptions to the Sellers Warranties and, therefore, the Sellers shall have no indemnification obligations for any and all circumstances deriving or resulting from any such events, facts, matters or circumstances.

- (e) Without prejudice to the provisions of Section 9.1(d) above, each of the Sellers Warranties is separate and independent and, unless otherwise specifically provided, shall not be restricted or limited by reference to any other warranty or term of this Agreement.
- (f) If, at any time prior to or at Closing, the Sellers become aware that a Sellers Warranty has been breached or becomes untrue the Sellers shall promptly notify the Buyer in sufficient detail (the “**Breach Notification**”) to enable the Buyer to make a reasonably accurate assessment of the situation (and, for the avoidance of doubt, the delivery of such notice shall not limit or otherwise affect the remedies available to the Buyer nor shall any failure or delay in doing so increase any liability to the Sellers).
- (g) In no case do the Sellers give any representations and/or warranties to the Buyer and its representative with regard to financial projections, budget, management analysis, estimations, future profitability and financial performance of the NGG Group Companies (even if disclosed by the Sellers, or their representatives, to the Buyer, or their representatives, prior to or on the Closing Date).

9.2 Organization, Standing and Capacity

- (a) Each of the Sellers other than AG represents and warrants that:
 - (i) it is a limited liability company duly incorporated, validly existing and in good standing under the Laws of Italy;
 - (ii) all corporate and other actions required to be taken by it, or on its behalf, to authorize it to enter into and to perform this Agreement have been duly and properly taken;
 - (iii) the entering into and the consummation of the transactions contemplated in this Agreement have been and will have been duly resolved upon by its competent corporate bodies;
 - (iv) it has duly executed and delivered this Agreement, which constitutes valid and binding obligations, enforceable against the relevant Seller;
 - (v) no application to, or filing with, or consent, authorization or approval of, or license, permit, registration, declaration or exemption by, any Authority is required by it in connection with the execution and performance of this Agreement; for clarity, it is understood that the Sellers do not assume any liabilities or undertakings and do not release any representations and warranties regarding the compliance of the Transaction with any Antitrust Laws or antitrust Authorities since the relevant analysis and assessment have been conducted by the Buyer with the advice of its counsels;
 - (vi) the execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby, will not conflict with, result in a breach of, or constitute a default under (i) its articles of association or its by-laws, or (ii) any agreement or instrument by which it is bound, nor violate any provisions of Laws applicable to it;
 - (vii) it is not subject to any court order (notified to the relevant Seller) that would reasonably be expected to affect or limit the execution, delivery and performance by it of the obligations arising under this Agreement; and

(viii) it is not insolvent or bankrupt under applicable Laws, unable to pay its debts as they fall due, nor has proposed or is liable to any arrangement (whether by court process or otherwise) under which its creditors (or any group of them) would receive less than the amounts due to them.

(b) AG represents and warrants that he: (i) is a natural person, unmarried, (ii) has full power and authority to execute and deliver this Agreement and to consummate the transactions set forth herein, (iii) no action on the part of AG is necessary to authorize the execution and delivery by AG of this Agreement, (iv) this Agreement has been duly executed and delivered by AG and constitutes valid and binding obligations of AG, enforceable against him in accordance with its terms, (v) no application to, or filing with, or consent, authorization or approval of, or license, permit, registration, declaration or exemption by, any supranational or national Authority is required to AG in connection with the execution and performance of this Agreement, and (vi) the execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby, will not conflict with, result in a breach of, or constitute a default under any agreement or instrument by which AG is bound, or violate any provisions of Law applicable to him. For clarity, it is understood that AG does not assume any liabilities or undertakings and does not release any representations and warranties regarding the compliance of the Transaction with any Antitrust Laws or antitrust Authorities since the relevant analysis and assessment have been conducted by the Buyer with the advice of its counsels.

9.3 Title

(a) Each of the Sellers represents and warrants:

- (i) to be the legal and beneficial owner, as of the date of this Agreements, of its respective shares of NGG indicated in Recital (D), which are validly issued, fully paid up, free and clear of any Encumbrances, validly acquired and obtained in compliance with the applicable Laws, without breaching the rights of any Person;
- (ii) that, on the Closing Date, it/he will be the legal and beneficial owner of its/his respective Shares as indicated in Recital (G), specifically:
 - (A) as to Antonioli, the Antonioli Shares;
 - (B) as to DTEAM, the DTEAM Shares;
 - (C) as to DHOLDING, the DHOLDING Shares;
 - (D) as to MB Vehicle, the MB Vehicle Shares; and
 - (E) as to AG, the AG Shares,which, on the Closing Date, will be validly issued, fully paid up, free and clear of any Encumbrances, validly acquired and obtained in compliance with the applicable Laws, without breaching the rights of any Person;
- (iii) to have full right, power and authority to sell its/his respective Shares in accordance with the terms of this Agreement;
- (iv) that the Company is, on the date of this Agreement, the legal and beneficial owner of the corporate capital of the Subsidiaries in the amounts and percentages indicated in Recital (B), and the relevant quotas are fully paid up and free and clear of any Encumbrances;

- (v) that the Company will be, on the Closing Date, the legal and beneficial owner of the corporate capital of the Subsidiaries in the amounts and percentages indicated in Recital (G)(b) and the relevant quotas are fully paid up and free and clear of any Encumbrances.
- (b) With the exception of the Incentive Plan, the provisions contained in the shareholders' agreement regarding Alanui and disclosed in the Data Room and those contained in the Alanui Agreements, there are no options, warrants, conversion or subscription rights, agreements, contracts or commitments of any kind obligating the Company or any of the Subsidiaries, conditionally or otherwise, to issue or sell any new shares/quotas or any instrument convertible into or exchangeable for any share/quota, or to repurchase or redeem any of their shares/quotas.

9.4 Incorporation and good standing – by-laws and books

Except as expressly stated by the Sellers in the Disclosure Letter:

- (a) the Company is a company duly organized, validly existing and in good standing under the Laws of Italy;
- (b) with the sole exception of APA that is implementing a winding-up process, each Subsidiary is a company duly organized, validly existing and in good standing under applicable Laws of the jurisdiction of incorporation;
- (c) with the sole exception of APA that is implementing a winding-up process, neither the Company nor any Subsidiary is subject to any voluntary or non-voluntary liquidation, insolvency, bankruptcy or similar procedure. There are no proceedings, injunctions, orders or claims against the Company and/or any Subsidiary regarding liquidation, winding-up, bankruptcy and/or the starting of any bankruptcy or pre-insolvency procedure. No steps have been taken and notified in writing to enforce any security over any assets of the Company and/or any Subsidiary;
- (d) with the sole exception of APA that is implementing a winding-up process, the Company and any of its Subsidiaries have full power and authority to conduct their respective businesses as currently conducted and to own their assets and properties as currently owned;
- (e) the by-laws of the Company and of any of its Subsidiaries in force at the date hereof are those filed with the competent Companies' Registers;
- (f) the books and records of the meetings of the corporate bodies of the Company and any other Subsidiary have been kept and filed with the competent registers pursuant to the applicable Laws. Each of the Company and the Subsidiaries has all the books and records, which in relation to its relevant business are required to be kept under the applicable Laws, in compliance with the applicable Laws and the applicable Accounting Principles.
- (g) neither the Company nor any Subsidiary has at any time:
 - (i) purchased, redeemed or repaid any of its own corporate capital; or
 - (ii) given any financial assistance in connection with any acquisition of its corporate capital or the corporate capital of its holding company in breach of any Law.

- (h) With the exception of the shareholders' agreement regarding the Group Companies entered into between Antonioli, DTEAM, DHOLDING and the MB VEHICLE (in any case without prejudice to Section 9.24 below) and shareholders' agreements regarding the Subsidiaries uploaded into the Data Room, no shareholders' agreements or any other similar arrangement has been entered into by and among the Company and/or the Sellers and any of the Subsidiaries' shareholders and there are no rights of any kind or obligation upon any such Subsidiaries' shareholders *vis-à-vis* the Sellers and/or any of the NGG Group Companies, which may be triggered by the Transaction and the execution of this Agreement.

9.5 Corporate Capital

Except as expressly stated by the Sellers in the Disclosure Letter:

- (a) on the date of this Agreement, the Sellers, collectively, own the entire share capital of the Company, amounting to Euro 1,100,000 (one million one hundred thousand/00), divided into 1,100,000 (one million one hundred thousand/00) shares having a par value of Euro 1.00 each, and duly authorized, validly issued and fully paid in;
- (b) on the Closing Date, the Shares will represent in the aggregate, on a fully diluted basis, 100% (one hundred per cent) of the share capital and of the voting rights of the Company. The Shares will represent the entire share capital of the Company, amounting to Euro 1,426,437.00 (one million four hundred twenty-six thousand four hundred thirty-seven/00), divided into 1,426,437 (one million four hundred twenty-six thousand four hundred thirty-seven) shares having a par value of Euro 1.00 each, and duly authorized, validly issued and fully paid in;
- (c) the issued and paid in corporate capital of each of the Subsidiaries is equal to the one resulting from the respective by-laws or documents having similar contents and purpose;
- (d) with the exception of the Incentive Plan, the shareholders' agreement regarding Alanui uploaded into the Data Room, the provisions of the Alanui Agreements and the rights set forth under the by-laws of the NGG Group Companies, there are no (a) rights of pre-emption, options, warrants or other rights to purchase any quotas, shares or interests into the Company or any Subsidiary; (b) securities convertible into or exchangeable for quotas, shares or interests into the Company or any Subsidiary; or (c) other commitments of any kind for the issuance of additional quota, shares or interests or options, warrants or other securities of the Company or any Subsidiary. With the exception of the Incentive Plan, the shareholders' agreement regarding Alanui uploaded into the Data Room, the provisions contained in the Alanui Agreements and the rights set forth under the by-laws of the NGG Group Companies, there are no options, warrants, conversion or subscription rights, agreements, contracts or commitments of any kind obligating the Company or any of the Subsidiaries, conditionally or otherwise, to issue or sell any new quotas, shares, or any instrument convertible into or exchangeable for any quota or share, or to repurchase or redeem any of their quotas or shares. With the exception of the Capital Increases, no resolution has been passed by any competent corporate body of the Company or any Subsidiary on the basis of which their corporate capital may be increased or reduced, or however modified;
- (e) without prejudice to the winding-up process of APA, no capital contributions or shares subscription are required to be made with respect to the Company and or any Subsidiary. With the exception of the winding-up process of APA, neither the Company nor any Subsidiary are in a situation whereby it is required by applicable Law to re-capitalize the company or provide equity contribution (including, without

limitation, pursuant to Articles 2446 and 2447 of the Code), or need to adopt any other action in connection therewith;

- (f) with the exception of the Incentive Plan, the shareholders' agreement regarding Alanui uploaded into the Data Room, the provisions of the Alanui Agreements and the rights set forth under the by-laws of the NGG Group Companies, no commitment has been given to create an Encumbrance affecting the Shares the corporate capital of the Company or the shares, quotas or interests into any Subsidiary; and
- (g) except for the interests in the Subsidiaries and in the Off-White Subsidiaries, neither the Company nor any Subsidiary owns equity interests or other participations in any subsidiary, association, consortium or joint venture.

9.6 Financials

Except as expressly stated by the Sellers in the Disclosure Letter:

- (a) the 2018 NGG Financial Statements were validly approved on June 26, 2019 by the shareholders' meeting of the Company, have been prepared in accordance with the applicable Laws and Accounting Principles and give a correct, fair and true view of the economic and financial condition and the economic results and positions of the Company as of April 30, 2018 and for the period referred to therein as provided for by applicable Laws and Accounting Principles applied consistently with past practices;
- (b) the 2018 NGG Consolidated Financial Statements were validly approved on June 26, 2019 by the board of directors of the Company, have been prepared in accordance with the applicable Laws and Accounting Principles and give a correct, clear, fair, and true view of the economic and financial condition and of the economic results and positions of the NGG Group Companies on a consolidated basis as of October 31, 2018 and for the period referred to therein as provided for by applicable Laws and Accounting Principles applied consistently with past practices;
- (c) the receivables of any of the NGG Group Companies in existence as of the Closing Date are valid and fully existing. The NGG Companies shall be entitled to require payments of such receivables on the relevant due dates; and
- (d) except for the fees accrued and not paid to the directors and auditors at Closing, there are no outstanding payables due by any NGG Group Company to the Sellers, a Related Person, any of their Affiliates or Related Parties and there is no any other liability of any NGG Group Company *vis-à-vis* the Sellers, a Related Person, any of their Affiliates or Related Parties.

9.7 Permits and authorizations

Except as expressly stated by the Sellers in the Disclosure Letter:

- (a) the Company and the Subsidiaries have and maintain in full force and effect all licences, approvals, registrations and authorisations (public and private) necessary (according to applicable Laws) for their respective businesses and activities to be carried out in compliance with applicable Laws (the “**NGG Group Permits**”);
- (b) all the NGG Group Permits are in full force and effect and the NGG Group Companies have received no written claims that relate to the revocation or absence of renewal of the NGG Group Permits;

- (c) the NGG Group Companies are in compliance with the material terms and conditions of each of their respective NGG Group Permits;
- (d) the execution of this Agreement and the consummation of the Transaction shall not entail the amendment, suspension or revocation of any of the NGG Group Permits.

9.8 Compliance with Law

Except as expressly stated by the Sellers in the Disclosure Letter:

- (a) the Company and the Subsidiaries are not, and have not been, in material violation of any environmental laws and regulation applicable to them, to their business, assets or properties;
- (b) neither the Company nor any Subsidiary, has received written notice that they are currently under any investigation or inquiry with respect to any violation of any Law;
- (c) to the Sellers' Knowledge, the Company and each Subsidiary have carried out and carry out their respective business in compliance in all material respects with applicable Laws concerning the data protection and the processing of data and personal data (including without limitation, EU Regulation 2016/679 (GDPR), including as implemented in Italy, or other similar Laws applicable in any other jurisdiction where the NGG Group Companies carry out their business); and
- (d) no sanctions have been applied and notified in writing to any NGG Group Company by any Authority in relation to or as a consequence of any breach of the applicable Laws concerning the data protection and the processing of data and personal data (including without limitation, EU Regulation 2016/679 (GDPR), including as implemented in Italy, or other similar Laws applicable in any other jurisdiction where the NGG Group Companies carry out their business).

9.9 Anti-Bribery – Sanctions

The Sellers represent and warrant that:

- (a) since January 16, 2017 (*i.e.* the date of incorporation of NGG) no NGG Group Representative has violated in any material respect any Anti-Corruption Laws, nor has, in material violation of any Anti-Corruption Laws, offered, paid, promised to pay, or authorized the payment of any money, or offered, given, promised to give, or authorized the giving of anything of value, to any Government Official or to any Person, in the interest of any NGG Group Company and under circumstances where such NGG Group Representative knew or ought reasonably to have known (after due and proper inquiry) that all or a portion of such money or thing of value would be offered, given, or promised, directly or indirectly, to a Person:
 - (i) for the purpose of: (i) influencing any act or decision of a Government Official in their official capacity; (ii) inducing a Government Official to do or omit to do any act in violation of their lawful duties; (iii) securing any improper advantage; (iv) inducing a Government Official to influence or affect any act or decision of any Authority; or (v) assisting such NGG Group Representative in obtaining or retaining business for or with, or directing business to, any NGG Group Representative; and
 - (ii) in a manner which 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) no NGG Group Representative has conducted or initiated any internal investigation or made a voluntary, directed, or involuntary disclosure to any Authority or similar agency with respect to any alleged act or omission arising under or relating to any non-compliance with any Anti-Corruption Law in the interest of any NGG Group Company. No NGG Group Representative has received any notice, request, or citation by any Authority for any actual or potential non-compliance with any of the foregoing in this Section 9.9;
- (c) no Government Official or government Person presently owns an interest, whether direct or indirect, in any of the NGG Group Companies or has any legal or beneficial interest in any payments made to the NGG Group Companies by the Buyer hereunder or is otherwise a director, officer or employee of any NGG Group Company;
- (d) each NGG Group Company has, at all times, conducted operations in material compliance with applicable Anti-Money Laundering Laws;
- (e) no NGG Group Representative is currently a Sanctions Target or is located, is owned or controlled by a Sanctions Target, organized or resident in a country or territory that is a Sanctions Target;
- (f) Neither any NGG Group Company nor any NGG Group Representative has been:
 - (i) engaged in any litigation, administrative, mediation or arbitration proceedings or such other proceedings or hearings before any Authority in relation to a violation of any applicable Sanctions Laws and Regulations; or
 - (ii) the subject of any investigation, inquiry or enforcement proceedings by any Authority in relation to a violation of any applicable Sanctions Laws and Regulations; and
 - (iii) no such proceedings, investigations or inquiries have been threatened in writing or are pending;
- (g) in the last five (5) years, no NGG Group Company or NGG Group Representative has engaged in any direct or indirect dealings or transactions in or with a Sanctions Target in violation of any applicable Sanctions Laws and Regulations, nor is any NGG Group Company currently engaged in any such activities in violation of any applicable Sanctions Laws and Regulations;
- (h) the NGG Group Companies have at all times conducted their business in accordance with all applicable Antitrust Laws;
- (i) neither the Company nor any Subsidiary is or has been engaged in any agreement, arrangement, activity, practice or conduct which constitutes an infringement or breach of any applicable Antitrust Laws in the last 5 (five) years;
- (j) no NGG Group Company is or has been in the last 5 (five) years:
 - (i) engaged in any litigation, administrative, mediation or arbitration proceedings or such other proceedings or hearings before any Authority in relation to an infringement of any applicable Antitrust Laws; or
 - (ii) the subject of any investigation, inquiry or enforcement proceedings by any Authority in relation to an infringement of any applicable Antitrust Laws; and
 - (iii) no such proceedings, investigations or inquiries have been threatened in writing or are pending.

9.10 Material Contracts

Except as expressly stated by the Sellers in the Disclosure Letter:

- (a) **Schedule 9.10(a)** contains a list of the agreements which are material for the business and/or entered into with suppliers and clients of the NGG Group Companies (the “**NGG Material Contracts**”). The Data Room contains true and complete copies of the NGG Material Contracts;
- (b) as of the date of this Agreement, each NGG Material Contract is and will be in full force and effect and constitutes a legally valid and binding agreement, enforceable in accordance with its terms, of the Company or any of the Subsidiaries respectively concerned;
- (c) in relation to the NGG Material Contracts: (i) there is no pending and notified in writing default under or a breach of a material term of any NGG Material Contract by the Company and/or by any Subsidiary, and (ii) neither the Company nor any of the Subsidiaries have received any written notice indicating that any other party is in default under, or intends to exercise any right to terminate or not to renew, any NGG Material Contract (also as a result of the completion of the Transaction);
- (d) no NGG Material Contract contains a provision or any term or condition triggering termination or any new obligation of any of the NGG Group Companies upon direct or indirect changes into their shareholding structure and neither the execution of this Agreement nor the performance of the obligations hereunder shall trigger the right of any third party to any NGG Material Contract to terminate, or withdraw from, any such NGG Material Contract, or otherwise give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to modify any NGG Material Contract; and
- (e) to the Sellers’ knowledge, there are no contracts, agreements or arrangements (whether oral or documented) in relation to any of the NGG Group Companies that include a non-competition provision or other material restriction that would prevent or materially restrict the NGG Group, or any future owner of the NGG Group, from operating in the relevant business or in any geographic location.

9.11 Real Properties

The NGG Group Companies own no real property. All the material real properties used or occupied by the NGG Group Companies (the “**NGG Real Properties**”) are used or occupied under valid and binding lease, sub-lease or free-lease agreements as listed in **Schedule 9.11** (the “**NGG Lease Agreements**”). Apart from the NGG Real Properties, the NGG Group Companies do not own or use any other real property which is material for carrying out their activities or for other purposes. With reference to the NGG Real Properties, except as expressly stated by the Sellers in the Disclosure Letter:

- (a) each NGG Lease Agreement is a valid and binding agreement between the parties thereof. Each Lease Agreement is in full force and effect, and to the Sellers’ knowledge neither any NGG Group Company, nor any party thereto is in material default or in material breach under the terms and conditions (including, without limitation, the payment of rents) of, or has provided or received any notice in writing of any intention to terminate, any such NGG Lease Agreement;
- (b) the NGG Real Properties used by the NGG Group Companies are in good operating condition and repair, normal wear and tear; and
- (c) the NGG Group Companies have full and undisturbed use and possession of the NGG Real Properties and have received no written notice from any third parties alleging that the current use and possession of the NGG Real Properties by the NGG Group

Companies infringes any rights of such third parties in respect of the NGG Real Properties.

9.12 Employment

The Sellers represent and warrant that:

- (a) **Schedule 9.12(a)** sets forth a complete list of all the employees of the NGG Group Companies (the “**NGG Employees**”). The NGG Employees and their respective aggregate compensations and qualifications are regularly recorded in the appropriate books and records in accordance with applicable Laws;
- (b) there are no other forms of compensation or other particular economic treatments due to the NGG Employees and the temporary workers, agency workers, business procurers, directors, consultants, independent contractors, or other persons who have rendered or are rendering services in any manner whatsoever to the NGG Group Companies in addition to or other than those recorded in agreements and/or in the appropriate books and records of the NGG Group Companies;
- (c) **Schedule 9.12(c)** sets forth a complete list of each collective bargaining agreement (including company/branch collective agreements or labor union contract) applicable to each of the NGG Group Companies and enforceable *vis-à-vis* their respective NGG Employees (the “**NGG Collective Bargaining Agreements**”). Except for such NGG Collective Bargaining Agreements, the NGG Group Companies are not legally bound by, and do not apply, nor are negotiating, any other collective bargaining agreement (including company/branch collective);
- (d) there is no pending and notified or threatened in writing litigation, claim, investigation, inspection or proceedings involving the NGG Group Companies, by any NGG Employee or former employee, or present or former temporary worker, agency worker, business procurer, director or consultant, independent contractor, or any other person who has rendered or is rendering services in any manner whatsoever to the NGG Group Companies, or by the relevant trade unions, or by any Authority, arising from that person’s employment/other relationship with the NGG Group Companies;
- (e) other than the NGG Employees, there are no other persons who have any employment relationship with the NGG Group Companies under any applicable Laws or have requested to re-qualify their relevant relationship with any of the NGG Group Companies as open ended employment relationship;
- (f) all the current and past open-ended employment contracts, fixed term employment contracts, temporary work contracts (*contratti di somministrazione*), apprenticeships contracts, occasional cooperation agreements, internships, secondment agreements (*distacchi*) and supply service agreements (including inter-company service agreements), project contracts, consultancy agreements, and any other whatsoever employment and/or consultancy agreements entered into within the last 2 (two) years have been entered into and executed by the NGG Group Companies in material compliance with the applicable Laws and collective and/or individual contracts;
- (g) the NGG Group Companies have complied, in all material respect, with and are in compliance, in all material respect, with all the applicable NGG Collective Bargaining Agreements and with all the applicable Laws and agreements relating to employment, labor and the workplace, including Laws relating to wages and classification levels for the NGG Employees (and the respective employment agreements reflect the relevant job level, and all the provisions applicable to each Employee are consistent with the relevant job level), hours, overtime, immigration, discrimination, withholding, unemployment compensation, the NGG Employees’ compensation

(including compensation for any inventive activity performed by the NGG Employees), health and safety on workplaces, child labour, hiring of disabled persons and/or protected categories, disability rights or benefits, equal opportunity, use of fixed term or part-time employees, social security contributions, insurance premiums, social safety net requested by and/or authorized to the NGG Group Companies, facility closures and layoffs, individual and collective dismissals, employee leaves and unemployment insurance, procurement contracts for a work/services (including, without limitation, the applicable Laws and regulations related to the wages and social security contributions for employees of independent contractors, suppliers, sub-contractors and/or sub-suppliers), and the NGG Employees' data protection;

- (h) with the exception of the Incentive Plan, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein will (i) entitle any current or former executive, employee, fixed term employee, temporary worker, agency worker, director or consultant, independent contractor of any NGG Group Company to any compensation or benefit, (ii) accelerate the time of payment or vesting, or trigger any payment or funding, of any compensation or benefits of any kind (including a promotion or extension of any notice period) or trigger any other obligation under any NGG Group Company remunerative/benefit/share plan or further allowances/indemnities;
- (i) with the exception of the Incentive Plan, there is no benefit plan managed, established, funded or paid by any NGG Group Company;
- (j) any extraordinary transaction (including, without limitation, transfer of businesses as a going concern, mergers and demergers) carried out in the last five years has been carried out in compliance with any applicable labor Law and Collective Bargaining Agreement;
- (k) **Schedule 9.12(k)** sets forth a complete list of the agents (*agenti*) and business procurers (*procacciatori d'affari*) of the NGG Group Companies;
- (l) all compensations due to the NGG Employees, any other past employee, any agent and business procurer of the NGG Group Companies have been regularly paid by the NGG Group Companies.

9.13 Social security contributions

All social security contributions and other compulsory contributions, insurance premiums due with respect to the agents and/or the NGG Employees or other past employee of the NGG Group have been regularly paid by the NGG Companies.

9.14 Tax

The Sellers represent and warrant that:

- (a) all notices, Tax returns, reports, accounts, computations, statements, assessments, claims, disclaimers, elections and registrations and any other necessary information and forms that have, or should have, been submitted by the NGG Group Companies to any Tax Authority under applicable Laws have been duly and timely filed by the NGG Group Companies with the competent Tax Authority and/or Authority and all such Tax returns and forms are true, correct and complete pursuant to and in accordance with the applicable Laws. None of the above is, or is likely to be, the subject of any material dispute with any Tax Authority;
- (b) all Taxes which were due under the Tax returns and forms referred to in Paragraph (a) above (whether or not shown to be due on any such Tax returns and forms) have been

duly and timely paid, deducted or withheld, by the NGG Group Companies, or adequate provisions have been created and accounted for in the relevant NGG Financials. All Taxes which are not yet due and payable but which relate to periods ending on or before the Closing have been provided for in the books and records of the NGG Group Companies in compliance with the applicable Law;

- (c) the NGG Group Companies maintain complete and accurate records, invoices and other information in relation to Tax that meet all legal requirements and enable the tax liabilities of the NGG Group Companies to be calculated accurately in all material respects;
- (d) the NGG Group Companies have deducted, withheld or collected all amounts required to be respectively deducted, withheld or collected by them on account of Taxes including all amounts required to be deducted, withheld or collected in respect of amounts deemed to be paid respectively by them, and have duly and timely remitted all such amounts to the appropriate Authority when required by Law to do so;
- (e) all Tax receivables utilized by the NGG Group Companies to offset the payment of their Taxes did exist and were properly utilized to the extent permitted by the applicable Laws;
- (f) there are no Encumbrances for Taxes upon the assets or properties of any NGG Group Company, other than Encumbrances created solely by operation of Law;
- (g) the NGG Group Companies have not been served with any written notice of assessment or other written notices concerning the payment of Taxes, and there are no audits, examinations, investigations, claims, disputes or other proceedings pending or threatened in writing with respect to any Taxes or Tax returns of the NGG Group Companies;
- (h) any transaction between the NGG Group Companies or between any of the NGG Group Companies and their Related Parties have been priced at arm's length for transfer pricing purposes and based on appropriate documentation;
- (i) the NGG Group Companies do not own any asset which, if disposed at the date of this Agreement against a consideration equal to its net book value as included in the accounts, would give rise to a clawback or disallowance of depreciation relief;
- (j) the NGG Group Companies were not involved in any transaction or series of transactions the main purpose, or one of the main purposes, of which was the avoidance of Tax;
- (k) each of the NGG Group Companies is and at all times has been resident for Tax purposes in its respective jurisdiction of incorporation and is not and has not at any time been resident for Tax purposes in any other jurisdiction. None of the NGG Group Companies is or has been subject to Tax in any jurisdiction other than its jurisdiction of incorporation by virtue of having a permanent establishment, a permanent representative, place of business or taxable presence in that jurisdiction;
- (l) each of the NGG Group Companies is a taxable persons and are each registered for the purposes of any applicable Indirect Tax;
- (m) all supplies made by each of the NGG Group Companies are subject to Indirect Tax. None of the NGG Group Companies has been, or will be, denied full credit or allowance for all Indirect Tax paid or suffered by it;

- (n) any document that may be necessary or desirable in proving the title of the NGG Group Companies to any asset which is owned by the NGG Group Companies at Closing is duly stamped for stamp duty purposes or has had the transfer or registration tax due in respect of it paid.

9.15 Accuracy of Information

Neither the Seller Warranties nor to the Sellers Knowledge any other document or information provided in the Data Room contain any untrue statement of a material fact or omit to state a material fact which may be material in relation to, And/or may adversely affect, any of the NGG Group Companies and/or the acquisition of the Shares and/or the Transaction.

9.16 Intellectual Property

Except as expressly stated by the Sellers in the Disclosure Letter:

- (a) **Schedule 9.16(a)** contains the list of all the registrations and applications for registration of the Intellectual Property Rights owned by any NGG Group Company (the “**Owned IP Rights**”);
- (b) all Owned IP Rights are free from Encumbrances, fully enforceable, transferable and assignable (where applicable), may be freely used by the NGG Group Companies. The Data Room indicates those, among the Owned IP Rights, that have been already duly registered and those in relation to which the registration has been regularly applied for in the name of the relevant NGG Group Company in all countries in which products or services based on such Owned IP Rights have been or are being produced, offered, sold or commercialized;
- (c) **Schedule 9.16(c)** contains the list of all the license agreements (other than temporary co-branding collaborations) granting any of the NGG Companies with the license to use trademarks, intellectual property and know-how to manufacture, distribute, advertise and sell the products indicated therein (the “**Licensed IP Rights**”);
- (d) with reference to the trademark “Palm Angels”, that is owned by Palm Angels S.r.l. with legal seat in Milan, via Daniele Manin no. 3 registered with the Companies’ Register of Milano, Monza, Brianza, Lodi under no. 08773470961 (“**Palm Angels**”) whose corporate capital is held by DTEAM and Mr. Francesco Ragazzi 50% each, it is represented and warranted the follows: (i) DTEAM represents and warrants that it has not granted any third person different from the NGG Group Companies with any license and/or right on the trademark “Palm Angels”, and (ii) to the Sellers Knowledge, the other shareholder Mr. Francesco Ragazzi has not granted any third person different from the NGG Group Companies with any license and/or right on the trademark “Palm Angels”;
- (e) the MB Vehicle represents and warrants that the it has not granted to any third person different from the NGG Group Companies with any license and/or right on the trademark “Marcelo Burlon”;
- (f) no NGG Group Company has assigned or otherwise transferred any interest in, or agreed to assign or otherwise transfer any interest in, any Owned IP Rights to any other person, except pursuant to limited licenses in the ordinary course of business for manufacturing or supplying reasons or in the context of collaborations with other brands;
- (g) reasonable precautions and security measures have been adopted and implemented in order to protect and keep confidential and/or secret those Owned IP Rights and/or Licensed IP Rights which are proprietary know-how, commercial, trade,

manufacturing secrets, software, source code for software, formulas, designs, technical sheets, processes, techniques and secret information (the “**Confidential IP Rights**” and, together with the Owned IP Rights and Licensed IP Rights, the “**NGG IP Rights**”);

- (h) to the Sellers’ Knowledge, no act has been done or omitted to be done by NGG Group Company which may render any Owned IP Rights subject to invalidity, revocation, cancellation, challenge;
- (i) no NGG Group Company is party to any agreement which grants any third parties the license or right to use the Owned IP Rights except for those agreements relating to the day-to-day management for commercial, distribution, production, public relations and marketing reasons;
- (j) no NGG Group Company has received any written information on the fact that any third party has infringed or made unauthorized use of, or is currently infringing or making unauthorized use of, any NGG IP Right in the context of the ordinary anti-counterfeiting monitoring activities carried out by the NGG Group. As of the date hereof, there are no pending or threatened (in writing) proceedings alleging that any third party has infringed or made unauthorized use of, or is currently infringing or making unauthorized use of any NGG IP Right except for the steps related to the ordinary anti-counterfeiting activities provided by the NGG Group Companies;
- (k) there is no written threat of judicial proceedings alleging that any NGG Group Company has infringed, or made unauthorized use of, intellectual property rights owned or used by a third party and there is no written communication or written claim in relation to the violation (or alleged violation) by any NGG Group Company of any intellectual property rights owned or used by a third party;
- (l) to the Sellers’ Knowledge, none of the NGG IP Rights and none of the products sold by the NGG Group Companies infringes, misappropriates, violates or conflicts with any Intellectual Property owned by any other Person;
- (m) none of the NGG Employees, key managers, consultants, developers, or contractors working for any of the NGG Group Companies in relation to any creative or inventive activity is entitled to any Owned IP Rights, internet domain name or Confidential IP Rights or to any right for compensation related thereto over any discovery or artwork that they may have made or make in the carrying out of their activities or in the performance of their duties for the relevant NGG Group Company or, if otherwise, each of such NGG Employees, key managers, consultants, developers, or contractors has fully and validly assigned all such rights, in advance or subsequently, to the relevant NGG Group Company under the relevant employment agreement or other contracts and any relevant consideration has been paid or duly and fully accrued for in the NGG 2018 Consolidated Financial Statement.

9.17 Litigation

Except as expressly stated by the Sellers in the Disclosure Letter, there is no pending administrative, arbitral, or judicial or threatened in writing, claim, action, suit, charge or proceeding against any NGG Group Company.

9.18 Related Parties and intragroup agreements

Each agreement entered into by any NGG Group Company with Related Parties and/or intragroup agreement to which any NGG Group Company is a party were duly entered into by the relevant parties at arm’s length, the terms and conditions set forth therein are fair and in

line with market standards and the relevant transactions have been actually rendered/executed and were for the benefit of the recipient.

9.19 Insurance

- (a) The insurance policies entered into by the NGG Group Companies are those listed in **Schedule 9.19**. No claims have been brought under the any insurance policies in the three years prior to the date hereof.
- (b) All the Insurance Policies are in full force and effect in accordance with their respective terms, the related premiums have been timely paid, and the NGG Group Companies have not received any notices of cancellation with respect thereto.

9.20 Position since October 31, 2018

Since October 31, 2018 until the date hereof, the NGG Group Companies have been managed in the ordinary course of business in accordance with past practices in all material respect.

9.21 Finance

The Sellers represent and warrant that:

- (a) no NGG Group Company is party to credit facility agreements or other financing agreements with financial institutions;
- (b) no guarantee or Encumbrance has been given by or entered into by the NGG Group Companies or any third party in respect of any indebtedness or other obligations.

9.22 Information Technology

- (a) All the communication, information technology and computer systems and equipment currently used by the NGG Group Companies in are:
 - (i) legally and validly owned or used by the relevant NGG Group Companies and, in case of ownership, are free from Encumbrances;
 - (ii) in good functioning state and fit the use for which the same are utilized by the relevant NGG Group Companies; and
 - (iii) subject to periodical assistance and maintenance activities.
- (b) All the software programs used by the NGG Group Companies are, as the case may be, owned by, or licensed to, the relevant NGG Group Company in a number of copies corresponding to those effectively used. The software programs used by the NGG Group Companies are sufficient for the carrying out of the business of the NGG Group Companies as it is actually carried out.

9.23 No-brokers

There is no Person that is entitled to a finder's fee or any type of brokerage commission in relation to or in connection with the transactions contemplated herein as a result of any agreement or understanding with the Parties, nor has the Sellers had any dealings related to the transactions contemplated herein with any Person that may claim a brokerage or other commission from the Buyer.

9.24 No shareholders' agreements between the Sellers

At Closing, there will not be any shareholders' agreement in force between the Sellers having as object any Group Company.

9.25 Farfetch's Class A Shares

- (a) Each Seller understands that the Closing FF Shares have not been registered under the Securities Act and may only be sold, assigned or transferred by the Sellers following the expiry of the distribution compliance period specified in Category 2 (paragraph (b)(2)(iii) in Rule 903 of Regulation S).
- (b) Each Seller understands that the Farfetch's Class A Shares issued may bear the following or similar legend:

“THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (“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) PURSUANT TO A SPECIFIC EXEMPTION FROM REGISTRATION UNDER THE ACT THE ISSUER OF THE SHARES MAY REQUIRE AN OPINION OF COUNSEL REASONABLY 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”.
- (c) Each Seller did not learn of the issuance of the Farfetch's Class A Shares as a result of any general solicitation or general advertising.
- (d) The Farfetch's Class A Shares to be received by the Sellers hereunder will be acquired for such Sellers' own account, not as nominee or agent. The Sellers are not a broker-dealer registered with the US Securities Exchange Commission under applicable Laws or an entity engaged in a business that would require it to be so registered.
- (e) The Sellers are resident in Italy.

10. REPRESENTATIONS AND WARRANTIES OF THE BUYER AND FARFETCH

10.1 Buyer Warranties

- (a) The Buyer hereby provides exclusively to the Sellers the representations and warranties contained in Sections 10.2, 10.3, 10.4, and 10.5 (the “**Buyer Warranties**”), which are *in lieu* of all other representations and warranties however provided under the applicable provisions of Law and constitute all of the representations and warranties made by the Buyer in connection with the Transaction and any other action and transaction contemplated by this Agreement.
- (b) The Buyer Warranties are true and correct as of the date of this Agreement and shall be true and correct on the Closing Date, as well as on any day between the date hereof and the Closing Date, except where expressly indicated otherwise.
- (c) Each of the Buyer Warranties is separate and independent and, unless otherwise specifically provided, shall not be restricted or limited by reference to any other warranty or term of this Agreement.
- (d) If, at any time prior to or at Closing, the Buyer becomes aware that a Buyer Warranty has been breached or becomes untrue, the Buyer shall promptly notify the Sellers in sufficient detail to enable the Sellers to make a reasonably accurate assessment of the situation (and, for the avoidance of doubt, the delivery of such notice shall not limit or otherwise affect the remedies available to the Sellers nor shall any failure or delay in doing so increase any liability to the Buyer).

10.2 Organization, Standing and Capacity

- (a) The Buyer is a corporation duly incorporated, validly existing and in good standing under the Laws of Italy.
- (b) Except as required by applicable Laws and the rules of the NYSE in connection with the issuance of the Closing FF Shares, all corporate and other actions required to be taken by, or on behalf of, the Buyer under this Agreement to authorize it to enter into and to perform this Agreement have been duly and properly taken. The entering into and the consummation of the transactions contemplated in this Agreement have been and will have been duly resolved upon by the competent corporate bodies of the Buyer under this Agreement.
- (c) This Agreement has been duly executed and delivered by the Buyer and constitutes valid and binding obligations of the Buyer, enforceable against it in accordance with its terms.
- (d) The execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby, will not conflict with, result in a breach of, or constitute a default under (i) the Buyer's articles of association or its by-laws, or (ii) any agreement or instrument by which it is bound, nor violate any provisions of Laws applicable to it.
- (e) The Buyer is not subject to any court order that would reasonably be expected to affect or limit the execution, delivery and performance by it of the obligations arising under this Agreement.
- (f) The Buyer it is not insolvent or bankrupt under applicable Laws, unable to pay its debts as they fall due, nor has proposed or is liable to any arrangement (whether by court process or otherwise) under which its creditors (or any group of them) would receive less than the amounts due to them.
- (g) No application to, or filing with, or consent, authorization or approval of, or license, permit, registration, declaration or exemption by, any Authority is required to the Buyer in connection with the execution and performance of this Agreement. Without limitation of the foregoing, the Buyer represents, warrants and acknowledges (as the case may be) that (i) it has investigated - also through its counsels - the markets and the regulatory environment in which the Buyer, its direct or indirect shareholders or other Affiliates and the NGG Group Companies operate; (ii) the Transaction does not require and/or entails any filing for antitrust clearance or merger control approval.

10.3 No Broker

There is no Person that is entitled to a finder's fee or any type of brokerage commission in relation to or in connection with the transactions contemplated herein as a result of any agreement or understanding with the Parties, nor has the Buyer had any dealings related to the transactions contemplated herein with any Person that may claim a brokerage or other commission from the Sellers.

10.4 Absence of certain facts and circumstances

Buyer hereby represents and warrants that – in light of the Due Diligence – as at the date of this Agreement, the Buyer does not have actual knowledge of a breach of any Sellers Warranties which would entitle the Buyer to make a Claim.

10.5 Closing FF Shares and financial capability

- (a) The Closing FF Shares issuable to the Sellers at Closing, when issued by Farfetch in accordance with this Agreement, will be duly issued, fully paid and non-assessable, free and clear from any Encumbrance, except for restrictions set forth under applicable Laws and regulations.
- (f) At Closing, the Buyer will have sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Closing Cash Price Portions and it is not aware of any reason why such cash resources will not be available when required.

10.6 Farfetch Warranties

- (a) Farfetch hereby provides exclusively to the Sellers the representations and warranties contained in **Schedule 10.6** (the “**FF Warranties**”), which are *in lieu* of all other representations and warranties however provided under the applicable provisions of Law and constitute all of the representations and warranties made by Farfetch in connection with the Transaction and any other action and transaction contemplated by this Agreement.
- (b) The FF Warranties are true and correct as of the date of this Agreement and shall be true and correct on the Closing Date, as well as on any day between the date hereof and the Closing Date, except where expressly indicated otherwise.
- (c) Each of the FF Warranties is separate and independent and, unless otherwise specifically provided, shall not be restricted or limited by reference to any other warranty or term of this Agreement.
- (d) If, at any time prior to or at Closing, Farfetch becomes aware that a FF Warranty has been breached or becomes untrue, or has reasonable expectations that any of those things may occur, Farfetch shall promptly notify the Sellers in sufficient detail to enable the Sellers to make a reasonably accurate assessment of the situation (and, for the avoidance of doubt, the delivery of such notice shall not limit or otherwise affect the remedies available to the Sellers nor shall any failure or delay in doing so increase any liability to the Buyer).

11. INDEMNIFICATION OBLIGATIONS OF THE SELLERS

11.1 Indemnification Obligations of the Sellers

- (a) Subject to the Closing having occurred and subject to the conditions and limitations set forth in this Section 11, each Seller hereby agrees to, severally and not jointly *pro-rata* in proportion to the Relevant Percentage pursuant to Section 11.3 (except for the DDG Vehicles which shall be jointly liable among them), indemnify and hold the Buyer, the Company and/or any Subsidiary (without any duplication and at the Buyer’s discretion) harmless from any Loss suffered or incurred directly by the Buyer, the Company and/or any Subsidiary as a result of any breach by the Sellers of the Sellers Warranties (the “**Sellers Indemnification Obligations**”).
- (b) It is understood that, in relation to any Loss incurred by the Subsidiaries, only the portion of such Losses corresponding to the percentage of the participation held, directly or indirectly, by the Company in such Subsidiaries as of the Closing Date shall be considered for the purposes of determining the amount relevant for the Sellers Indemnification Obligations.

11.2 Sole Remedy, Nature of the Representations and Warranties and Indemnifications

- (a) The right to obtain indemnification pursuant to this Section 11 is the sole remedy available to the Buyer in relation to the breach by the Sellers of the Sellers Warranties and, therefore, it shall exclude any other right, action, remedy, defense, exception, claim or means of protection – provided by any applicable Law or otherwise – however available in relation to the breach by the Sellers of any of the Sellers Warranties. In particular, but without limitation to the generality of the foregoing, no breach of any Sellers Warranty will give rise to any right on the part of the Buyer to rescind or terminate this Agreement in any manner whatsoever (including under Article 1467 of the Code, in which regard the Parties agree and acknowledge that the remedies provided for therein shall not apply to this Agreement).
- (b) The Parties hereby acknowledge and agree that the Sellers Warranties and the Sellers Indemnification Obligations under this Section 11 are autonomous obligations and any right or remedy arising under this Agreement in connection with any inaccuracy, misrepresentation or breach of any Sellers Warranty and/or the Sellers Indemnification Obligations under this Section 11 shall not be subject to the statute of limitation periods and forfeiture restrictions provided under Article 1495 of the Code.
- (c) The Parties agree that:
 - (i) an event, which may give rise to a breach of the Sellers Warranties, cannot give rise to any Sellers Indemnification Obligation, if such event constitutes an express exception to any of the Sellers Warranties under the Disclosure Letter and this Agreement (including the relevant Schedules different from the Data Room) or if any such event was clearly, specifically, and fairly disclosed in good faith by the Sellers in the Data Room;
 - (ii) it would not be possible to seek indemnification under this Section 11 for Losses arising as a result of one and the same event by claiming the breach of more than one of the Sellers Warranties, provided that, in case such an event may give rise to a Claim in relation to two or more Sellers Warranties or pertains to a subject matter which is dealt with by two or more Sellers Warranties, indemnification can be sought only under the more specific and inherent Sellers Warranty;
 - (iii) any amount due by the Sellers to the Buyer, the Company or any Subsidiary (as the case may be) under this Section 11 with reference to the Sellers Indemnification Obligations shall be grossed up by any Tax payable in relation thereto and reduced by any favourable Tax effect deriving therefrom
 - (iv) the Sellers shall not be liable for any Loss suffered or incurred directly by the Buyer, the Company and/or any Subsidiary as a result of any breach by the Sellers of the Sellers Warranties on the basis of multiples or other financial formulas used, also implicitly, by the Buyer in order to evaluate the NGG Group Companies and/or the Shares; and
 - (v) the Sellers shall not be liable for any Loss suffered or incurred directly by the Buyer, the Company and/or any Subsidiary as a result of any breach by the Sellers of the Sellers Warranties if and to the extent that such Loss occurs or is increased directly or indirectly as a result of: (i) any change in Laws coming into force after the date of this Agreement (whether or not such change purports to have retroactive effect); or (ii) any change in Accounting Principles introduced by any applicable Law or by the Buyer after the Closing

Date and any change in the accounting, internal, regulatory or Tax policies or practices introduced by the Buyer after the Closing Date.

- (d) Without prejudice to the other provisions of this Section 11 and of Section 14 below and to the right to make any Notice of Claims, no payment shall be made by the Sellers to the Buyer, the Company and/or any Subsidiary in relation to the Sellers Indemnification Obligations in respect of potential or contingent liabilities of any such entity, unless, and only to the extent that, such liabilities have accrued and have been actually borne by any such entity.

11.3 Allocation of the Sellers Indemnification Obligations

In relation to the Sellers Indemnification Obligations, the Parties hereby agree that each Seller shall hold the Buyer, the Company or any Subsidiary (in any case without any duplications) harmless and indemnified from and against:

- (a) 100% (one hundred per cent) of any Loss suffered by the Buyer, the Company or any Subsidiary (such Loss to be calculated according to Section 11.1(b)) without any duplication effect with the Losses under Paragraph (b) below, arising from the breach of any of the Sellers Warranties set forth under Section 9 relating to, involving, regarding or pertaining to exclusively the relevant Seller; and
- (b) the Relevant Percentage of any Loss suffered by the Buyer, the Company or any Subsidiary (such Loss to be calculated according to Section 11.1(b)) without any duplication effect with the Losses under Paragraph (a) above, arising from the breach of any of the Sellers Warranties set forth under Section 9 other than those Sellers Warranties relating to, involving, regarding, or pertaining to exclusively the relevant Seller.

11.4 Time limitations

- (a) The Sellers shall in no case be liable pursuant to Section 11.1 above, in relation to Losses incurred pursuant to Section 9 which are notified to the Sellers in accordance with Section 14 below:
 - (i) after the expiry of the 30th (thirtieth) Business Day following the expiration of the applicable statute of limitation set forth under the applicable Laws exclusively for Losses incurred due to a breach by the Sellers of the Sellers Warranties set forth under Sections 9.2 (*Organization, Standing and Capacity*), and 9.3 (*Title*), 9.5 (*Corporate Capital*), 9.13 (*Social security contribution*) and 9.14 (*Tax*);
 - (ii) after the expiry of the 3rd (third) anniversary of the Closing exclusively for Losses incurred due to a breach by the Sellers of the Sellers Warranties set forth under Section 9.12 (*Employment*); and
 - (iii) after the expiry of a period of 15 (fifteen) months after the Closing for Losses incurred due to a breach by the Sellers of the Sellers Warranties other than those referred to in paragraphs (i) and (ii) above.
- (b) The Sellers Indemnification Obligations shall survive the expiration of the time limits respectively set forth under Section 11.4(a) in respect of any actual or alleged breach of the Sellers Warranties to the extent - prior to the expiry of the terms above – such breach constituted the subject matter of a Claim under Section 14 and, in case of a Direct Claim (and, for the sake of clarity, excluding any Third-Party Claim for which this provision shall not apply), (i) caused to the Buyer and/or any of the NGG Group Company a monetary Loss indemnifiable pursuant to this Agreement or (ii) to the

extent did not cause any of such indemnifiable monetary Loss, the Buyer started a proceeding against the Seller(s) pursuant to Section 16.10 below within 6 (six) months following the relevant Claim. In such cases, the relevant Sellers Indemnification Obligations for Direct Claims shall last until a final resolution on any such actual or alleged breach is reached and the relevant amount of the Sellers Indemnification Obligations (if any) is duly paid.

11.5 Monetary Limitations

- (a) The Sellers Indemnification Obligations shall be subject to the following limitations:
 - (i) no Sellers Indemnification Obligations is triggered and no indemnity shall be payable hereunder if the amount due in respect of each event (or series of event having the same nature) giving rise to a liability does not exceed, as *de minimis* threshold, Euro 100,000.00 (one hundred thousand/00) for each single event;
 - (ii) the Sellers Indemnification Obligations shall be effective only when the cumulative amount of Losses actually indemnifiable by the Sellers pursuant to this Agreement (and therefore Losses exceeding the *de minimis* threshold referred to in Paragraph 11.5(a)(i)) in the aggregate exceeds Euro 800,000.00 (eight hundred thousand/00), provided that, if said threshold is exceeded, the Sellers shall be liable to pay only the amount exceeding such threshold; and
 - (iii) in no event shall the cumulative amount payable by a Seller by way of indemnification pursuant to this Section 11 exceed an amount equal to 10% (ten percent) of the portion of the Final Price that such Seller is entitled to receive pursuant to this Agreement.
- (b) The limitations set forth under Section 11.5(a) shall not apply to the Sellers Indemnification Obligations deriving from a breach of the Sellers Warranties made under Sections 9.2 (*Organization, Standing and Capacity*), 9.3 (*Title*) and 9.5 (*Corporate Capital*), in which case the Sellers Indemnification Obligations shall be determined on a Euro per Euro basis, but in no event it shall exceed for each Seller an amount corresponding to Relevant Percentage of the Final Price.

11.6 Deductions and Gross Up

- (a) The amount due by the Sellers under this Section 11 with reference to a request for indemnification shall be set-off or reduced by any amount that the Buyer, the Company or any Subsidiary have received or are entitled to receive from any third party (including insurers) with reference to the matter which is the subject of the request for indemnification, net of reasonable costs and expenses incurred in obtaining such payment (including those incurred in connection with litigation required therefor, to the extent that such costs and expenses are not recovered from the relevant third party).
- (b) If the Sellers pay to the Buyer, the Company or any Subsidiary (as the case may be) an amount in discharge of a Claim and then the Buyer, the Company or any Subsidiary (as the case may be) subsequently receive from a third party a sum which is referred to such Claim or to its subject matter, the Buyer, the Company or any Subsidiary (as the case may be) shall immediately repay to the Sellers (in proportion to the Relevant Percentage) an amount equal to the sum received.
- (c) In the event and to the extent that any Loss to be indemnified by the Sellers pursuant to this Section 11 is deductible by the Buyer, the Company or any Subsidiary (as the case may be) for Tax purposes, the liability of the Sellers pursuant to this Section 11

will be limited to an amount corresponding to the amount of Loss reduced by a percentage equal to the percentage of the applicable Tax rate

- (d) The amount due by the Sellers under this Section 11 with reference to a request for indemnification shall be set-off or reduced by any specific provision (*fondi*) or reserve (*riserva*) recorded in the NGG Financials.
- (e) Any amount due by the Sellers under this Section 11 with reference to a request for indemnification shall be grossed up by any Tax payable in relation thereto
- (f) Any amount due by the Sellers under this Section 11 shall be treated as a reduction of the Final Price.

12. SPECIAL INDEMNITIES

12.1 Trade Working Capital Special Indemnity

Each Seller hereby agrees to, severally and not jointly *pro-rata* in proportion to the Relevant Percentage (except for the DDG Vehicles which shall be jointly liable among them), to pay the Working Capital Shortfall (as defined in **Schedule 12.1**) (the “**Trade Working Capital Special Indemnity**”), pursuant to, and subject to the limitations and the provisions set out in **Schedule 12.1** (including, in particular, the maximum amount of Euro 5,000,000.00 (five million/00)), provided that (a) the monetary limitations set out in Sections 11.5(a)(i) and 11.5(a)(ii) shall apply to the Trade Working Capital Special Indemnity and (b) and the procedure set out in Section 4.2 shall apply *mutatis mutandis* for the calculation of the Trade Working Capital Special Indemnity upon delivery to the Sellers of a notice of claim in respect of a Trade Working Capital Special Indemnity.

12.2 Special Indemnification Obligations

The Sellers further agrees to indemnify and hold the Buyer and/or any NGG Group Companies harmless in accordance with **Schedule 12.2** (the “**Special Indemnification Obligations**”).

13. INDEMNIFICATION OF THE BUYER AND FARFETCH

13.1 Indemnification Obligations of the Buyer and Farfetch

- (a) The Buyer hereby agrees to indemnify and hold the Sellers harmless from any Loss suffered or incurred directly by the Sellers as a result of any breach by the Buyer of the Buyer Warranties (the “**Buyer Indemnification Obligation**”). It being understood that the provisions, limitations and terms set forth under Section 11.4(a)(i) shall apply *mutatis mutandis* to the Buyer Indemnification Obligations.
- (b) Farfetch hereby agrees to indemnify and hold the Sellers harmless from any Loss suffered or incurred directly by the Sellers as a result of any breach by Farfetch of the FF Warranties (the “**FF Indemnification Obligation**”). It being understood that the provisions, limitations and terms set forth under Section 11.4(a)(i) shall apply *mutatis mutandis* to the FF Indemnification Obligations.

14. INDEMNIFICATION PROCEDURES

14.1 General Provision

The following provisions of this Section 14 shall apply if either Party makes a claim in relation to the Sellers Indemnification Obligations under Section 11, the Special Indemnification Obligations, the Buyer Indemnification Obligations under Section 13 and the FF Indemnification Obligations under Section 13 against the other Party under this Agreement (the “**Claim**”).

14.2 Notice of possible Claim

In the event that a Party (the “**Claimant**”) becomes aware of any event, claim, proceeding, circumstance or other matter which may give rise to an indemnification obligation of the other Party (the “**Indemnifying Party**”) (as the case may be) under this Agreement (the “**Indemnification Event**”), (i) except for the Special Indemnification Obligations, the Claimant shall give written notice thereof to the Indemnifying Party, under penalty of forfeiture no later than 30 (thirty) Business Days after the Claimant becomes aware of such Indemnification Event and/or (ii) in respect of the Special Indemnification Obligations, the Claimant shall promptly give written notice (in any case without penalty of forfeiture), in both cases under (i) and (ii), indicating in reasonable details the Claim which it intends to make, the provisions of the Agreement that are deemed to have been breached, the entity to be indemnified, together with all the reasonably available documentation which may reasonably be deemed necessary for the purposes of enabling the Indemnifying Party to be informed and take all appropriate actions in respect of the Loss subject of the Claim (the cases under (i) and/or (ii) a “**Notice of Claim**”). Such Notice of Claim shall further specify whether the Claim arises as a result of a claim by a third-party (the “**Third-Party Claim**”) or whether the Claim does not so arise therefrom (the “**Direct Claim**”), and shall also clearly indicate the factual and legal basis for the Claim.

For clarity, it is understood that each Seller – severally and not jointly with the other Sellers – may enforce the rights and faculties set forth under this Section 14 – and, therefore, each of the Sellers shall be considered, for the purposes of this Section 14, a Claimant or an Indemnifying Party, as the case may be.

14.3 Direct Claim

With respect to any Direct Claim, following receipt of the Notice of Claim, the Indemnifying Party shall have 60 (sixty) Business Days to make such investigation of the Claim as it considers reasonably necessary or desirable, and, to this purpose, each Party grants to the other, and cause to grant, access to all relevant books and records and premises and employees of the Claimant, the Company or any Subsidiary (as the case may be), to the extent reasonably necessary. Unless the Claimant and the Indemnifying Party agree in writing prior to the expiration of such 60 (sixty) Business Day period upon the validity and amount of such Claim, in which case the Indemnifying Party shall pay to the Claimant, the Company or any Subsidiary (as the case may be) the full agreed amount of the Claim in the following 30 (thirty) Business Days, the relevant Direct Claim shall be settled and defined as provided in Section 16.9. Any indemnification amount due by the Indemnifying Party in relation to a Direct Claim shall be paid exclusively after the issuance of a definitive not appealable enforceable arbitration award, enforceable decision or order of the competent Court, or settlement agreement entered into by and between the Indemnifying Party and the Claimant, on the relevant Claim and within 20 (twenty) Business Days after such definitive arbitration award, final decision of the competent Court or settlement agreement to the entity directly affected by the Loss.

14.4 Third-Party Claim

In the event of a Third-Party Claim, the following shall apply:

- (a) the Claimant shall inform the Indemnifying Party in writing of the Third-Party Claim in the relevant Notice of Claim with all reasonable details and shall promptly make available to the latter and/or its counsels all relevant documentation which may be available;
- (b) the Claimant shall promptly grant and cause to grant to the Indemnifying Party and/or its counsels access to all relevant books and records and premises and employees of the Claimant, the Company or any Subsidiary (as the case may be), to the extent reasonably necessary in connection with the defense of the Third-Party Claim;
- (c) the Indemnifying Party shall give written notice to the Claimant as to whether or not it wishes to participate to, by its own counsels, the defense of the Third-Party Claim it remaining agreed and understood that the defense will be in any event led by the Claimant who (1) shall retain, at its sole discretion, any decision as to the conduct of the defense and the proceedings (including the execution of a settlement), to the maximum extent possible under applicable Law, and (2) shall, if applicable, exercise its rights to cause the Company or any Subsidiary (as the case may be) to diligently and promptly manage any such Third-Party Claim, taking without delay any reasonable actions, and preparing, also through its counsels, any relevant filings, judicial or administrative acts or other documents, with due care and with the view of minimizing the Third-Party Claim; and (3) shall regularly (in reasonable intervals) inform the Indemnifying Party about the status of the matter and promptly notify the Indemnifying Party of all material correspondence or other actions or developments in connection with the Third-Party Claim;
- (d) in the event that an offer is made to the Claimant, the Company or any Subsidiary (as the case may be), to settle any matter giving rise to an indemnification obligation, which the Claimant, but not the Indemnifying Party, is willing to accept, the Claimant, the Company or any Subsidiary (as the case may be), shall be entitled to enter into such settlement, but the extent of the Indemnifying Party's indemnification obligation will be agreed between the Parties in good faith, or, failing agreement, decided by arbitration hereunder as the amount of the settlement, or, if lower, as an amount equal to the Loss/Damage that, in the determination of the arbitration panel, would have occurred if the matter had not been settled;
- (e) in the event that (x) an offer is made to the Claimant, the Company or any Subsidiary (as the case may be), to settle any matter giving rise to an indemnification obligation, which the Indemnifying Party, but not the Claimant, is willing to accept, and (y) the Indemnifying Party has accepted in writing its indemnification obligation in relation to such Third-Party Claim, then the Claimant, the Company or any Subsidiary (as the case may be) shall be free not to enter into such settlement and to commence or continue litigation, at its/their own expense, but the Indemnifying Party's liability shall be limited to the amount of the proposed settlement;
- (f) it is also understood that, all costs and expenses incurred by the Indemnifying Party in participating to the relevant Third-Party Claim shall be borne by the Indemnifying Party; and
- (g) any indemnification amount due by the Indemnifying Party in relation to a Third-Party Claim shall be paid, to the entity directly affected by the Loss, exclusively after the issuance of a definitive court decision or order or an arbitration award deciding on the Third-Party Claim, or a definitive settlement agreement on the Third-Party Claim (provided that such settlement agreement is entered into with the prior written consent of the Indemnifying Party in compliance with the above provisions), and within 30 (thirty) Business Days after the issuance of such definitive judicial judgement or arbitration award or the execution of such settlement agreement.

15. NOTICES

15.1 All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing, in the English language, and shall be deemed to have been duly served when delivered by hand or sent by registered letter with return receipt, courier, facsimile or email, to the contact details set forth in **Schedule 15** or to such other Person or contact details as each Party may designate by notice to be sent to the other Parties.

Any communication sent as above will be conclusively deemed to have been received (i) in case of delivery by hand, registered letter or courier, at the time of delivery as indicated in the relevant written receipt; (ii) in case of facsimile or email, at the time of dispatch, as shown in the report automatically generated by the sender's fax machine (to the extent such report shows that the transmission has been completed and all pages successfully transmitted) or transmitting equipment, or, if the transmission is completed on a day other than a Business Day, on the following Business Day, or upon receipt of a confirmation that the email was delivered, in case of email.

16. GENERAL PROVISIONS

16.1 Costs, Tax and Expenses

Any cost, tax, impost, duty or charge arising in connection with the transactions contemplated by this Agreement shall be borne and paid as follows:

- (a) any income and capital gain Taxes due as a consequence of the sale and purchase of the Shares shall be borne and paid for by the Sellers, as far as each of them is concerned;
- (b) each Party shall bear all costs and expenses (including advisory fees) respectively incurred in connection with the negotiation, preparation, execution and implementation of this Agreement and the transactions contemplated by this Agreement;
- (c) all transfer Taxes (including the "Tobin tax", but with exception of any capital gain taxes, which shall be borne by the Sellers), stamp, use, registration, recording, conveyancing, notarial and other such taxes, duties, fees, costs and expenses (including any penalties and interest) incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the Buyer.

16.2 Invalidity

If any provision of this Agreement becomes void, unenforceable, invalid, illegal or inapplicable, the legality, enforceability, validity and applicability of any other provision of this Agreement shall not be affected or impaired. In such a case, the Parties will negotiate in good faith a substitute and lawful provision to replace the void, unenforceable, invalid, illegal or inapplicable provision which shall comply with the spirit and object of the original provision.

16.3 Waiver

No failure or delay by any Party in exercising any right under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

16.4 Further Assurance

The Parties hereby agree to execute, exchange and deliver all such reasonable instruments and documents and to perform all such reasonable acts and do all such other reasonable things as may be necessary to effect the purposes of this Agreement.

16.5 Amendments

Any amendment, waiver or change of this Agreement will require a written agreement executed by the Party against whom enforcement of any such amendment, waiver or change is sought.

16.6 Entire Agreement, Wagering Agreement and Schedules

- (a) This Agreement constitutes the entire and only agreement among the Parties relating to the subject matter of the Agreement and there are no other oral or written agreements or understandings with respect to the transactions contemplated hereby. As a consequence, this Agreement supersedes and cancels any contract, agreement, exchange of letters or verbal agreement relating to the same matter that may have been entered into between all the Parties, or part of them, prior to the date hereof and all the obligations provided therein, which were fully and satisfactorily complied with until the date of this Agreement by each Party.
- (b) The Buyer hereby acknowledges that this Agreement is a wagering agreement (*contratto aleatorio*) for the purposes of Article 1469 of the Code. In light of the foregoing, the Parties hereby acknowledge and agree that the remedy provided for by Articles 1448 and 1467 of the Code is hereby expressly excluded and shall not apply to this Agreement.
- (c) The Schedules attached to this Agreement shall be construed with, and as an integral part of, this Agreement.

16.7 Confidentiality

- (a) Except as otherwise mandatorily required under any applicable provisions of Law or rule issued by an Authority or other regulatory or stock exchange authorities having jurisdiction on any of the Parties or their respective Affiliates, no publicity, release or announcement concerning the execution or delivery of this Agreement, will be issued without the prior written consent and approval, as to both form and content, of the Parties. For the avoidance of any doubt, the Buyer and Farfetch shall have the right (and therefore this Section 16.7 shall not apply) to disclose the SPA as required pursuant to the Securities Act and shall make all filings to the Securities and Exchange Commission (SEC) in such respect
- (b) Each Party shall keep strictly confidential this Agreement, its content, its existence and all transactions contemplated herein and not to disclose to any third party any such information without the other Parties' consent; provided that neither Party shall be in breach of this undertaking by virtue of any disclosure of information that (i) is, or subsequently becomes, available to the public, or is otherwise disclosed to third parties, through no fault of such disclosing Party, (ii) must be released or disclosed pursuant to any Law enacted or rule issued by a government or other regulatory, stock exchange or other competent Authority having jurisdiction on any such Party (or its respective Affiliates) and/or any NGG Group Company.

16.8 No assignment

Except as otherwise specifically provided in this Agreement, no Party may assign any of its rights, interests or obligations under this Agreement without the other Party's prior written consent. It is, however, agreed and understood that the Buyer shall be entitled to assign by way of security to any third-party debt provider any rights (including, without limitations, any indemnification rights) arising from this Agreement.

16.9 Applicable law and jurisdiction

This Agreement shall be governed by, and shall be interpreted in accordance with, the Laws of the Italian Republic.

16.10 Jurisdiction

- (a) Any dispute among the Parties hereto, arising out of or in connection with this Agreement, including its validity, implementation, interpretation, termination or enforcement, shall be finally settled by an arbitration under the Rules of *Camera Arbitrale Nazionale ed Internazionale di Milano* (the “**Rules**”) then in force.

The arbitration shall be *rituale* and the arbitrators shall decide in accordance with the Law (*secondo diritto*). The arbitration award may be challenged also for breach of rules of Law relating to the merit of the controversy.

The arbitration shall be held in Milan and the language of the proceeding shall be Italian.

- (b) Without prejudice for the provision of paragraph (a) above and to the jurisdiction of the arbitrators contemplated thereby, the Parties hereby submit to the exclusive jurisdiction of the court of Milan (Italy) any legal suit, action or proceeding (including *provvedimenti cautelari*) in connection with this Agreement, which may not be settled or resolved by arbitration.

If you agree with the terms and conditions set forth above, please confirm in writing to us your agreement by reproducing faithfully the text of this letter onto your letter head, initialling it on each page except the last page, of which we ask that you sign in token of your full and unconditional agreement, and sending it to us.

Your faithfully,

Antonioli S.r.l.

/s/ Claudio Antonioli

By: Claudio Antonioli

Title: CEO

DHOLDING S.r.l.

/s/ Davide de Giglio

By: Davide de Giglio

Title: Director

DTEAM S.r.l.

/s/ Davide de Giglio

By: Davide de Giglio

Title: Director

Marcelo Burlon S.r.l.

/s/ Andrea Tortora della Corte

By: Andrea Tortora della
Corte

Title: Attorney in fact

Mr. Andrea Grilli S.r.l.

/s/ Andrea Grilli

By: Andrea Grilli

Title: Owner

In sign of full acknowledgement and acceptance of your proposal

Your faithfully,

Farfetch Limited

Farfetch Italia S.r.l.

/s/ Jose Neves

/s/ Carlotta Veneziani

By: Jose Neves

By: Carlotta
Veneziani

Title: CEO

Title: Director

List of Omitted Schedules and Exhibits

The following schedules and exhibits to the Sale and Purchase Agreement relating to 100% of the Share Capital of New Guards Group Holding s.p.a., dated as of August 2, 2019, among multiple sellers, Farfetch Italia S.r.l. and Farfetch Limited have not been provided herein:

Schedule (K) Data Room

Schedule 1.1(I) 2018 NGG Consolidated Financial Statements

Schedule 1.1(II) 2018 NGG Financial Statements

Schedule 1.1(III) Alanui Agreements

Schedule 1.1(IV) Closing Financial Documents

Schedule 1.1(V) IFRS Financial Documents

Schedule 1.1(VI) NFP

Schedule 1.1(VII) NGG Group EBITDA

Schedule 1.1(IX) Reference NFP

Schedule 1.1(XI) Relevant Percentage

Schedule 3.3(a)(ii); Antolioni Escrow Amount

Schedule 5.5 Farfetch Covenants

Schedule 8.2(b)(v) Hold Harmless Letters

Schedule 9.10(a) NGG Material Contracts

Schedule 9.11 NGG Lease Agreements

Schedule 9.12(a) NGG Employees

Schedule 9.12(c) NGG Collective Bargaining Agreements

Schedule 9.12(k) Agents

Schedule 9.16(a) Owned IP Rights

Schedule 9.16(c) Licensed IP Rights

Schedule 9.19 Insurance Policies

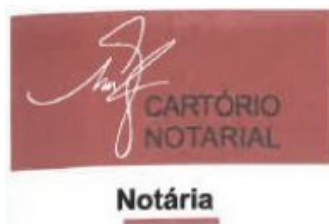
Schedule 10.6 Farfetch Warranties

Schedule 12.1 Trade Working Capital Special Indemnity

Schedule 12.2 Special Indemnification Obligations

Schedule 15 Notices

The Registrant hereby undertakes to furnish supplementally a copy of any omitted schedules or exhibits to the Securities and Exchange Commission upon request.



Maria Margarida Gomes Dias Azenha
NIF 125 189 680

CERTIDÃO

_____ Eu abaixo assinado *Paulo Jorge Domingues da Silva Passos*, colaborador da **Notária Maria Margarida Gomes Dias Azenha**, com Cartório na Rua do Raio Edifício Visconde do Raio, n.º 205, 2.º piso, em Braga, e por ela devidamente autorizado para a prática deste acto nos termos do art.º 8º do dec-lei 26/2004 de 04 de Fevereiro, conforme autorização expressa no Sítio da Ordem dos Notários, certifico que a fotocópia apensa a esta certidão, contém quatro folhas e foi extraída da escritura exarada a folhas 64 do livro de notas nº 345B do cartório. _____
_____ Cartório Notarial da dita Notária, aos oito de Abril de dois mil e dezanove.

O Colaborador,

A handwritten signature in black ink, appearing to be 'Paulo Jorge Domingues da Silva Passos', written over a horizontal line.

Inscrito na Ordem dos Notários sob o nº 47/18

Rua do Raio, 205 - 2.º Piso • Edifício Visconde do Raio • 4710-923 Braga
Tel: 253 203 290/1/2 • Fax: 253 203 299 • e-mail: margarida.azenha@notarios.pt

COMPRA E VENDA

_____. No dia oito de Abril de dois mil e dezanove, perante mim, Lic. **Maria Margarida Gomes Dias Azenha**, Notária do Cartório Notarial sito na Rua do Raio, n° 205, 2° piso, Edifício Visconde do Raio, em Braga, compareceram como outorgantes: _____ PRIMEIRO - Paulo Jorge Gomes Rodrigues Pereira de Castro, #####, natural da freguesia de ####, ####, residente na #####, freguesia de #####, ##### concelho, portador do CC #####, válido até #####, sócio-gerente da sociedade comercial por quotas: _____ **"MEDIDA GABARITO LDA"**, com o número único de matrícula e de pessoa colectiva 514693690, sede na Avenida da Liberdade, n° 432, 5°, sala 28, desta cidade, e o capital de cinco mil euros, que nessa qualidade outorga em representação da mesma sociedade, com os poderes necessários para este acto, que advêm do pacto social, qualidade e poderes que verifiquei por consulta á certidão permanente 4446-7640-0286, pela qual verifiquei ainda que a sociedade foi constituída anteriormente a um de Outubro de dois mil e dezoito; _____ SEGUNDO - Pedro José de Campos Vilela Vitorino, #####, maior, natural da freguesia #####, concelho de #####, residente na #####, #####, #####, portador do #####, válido até #####, que outorga na qualidade de procurador da sociedade unipessoal por quotas: _____

C²

_____**FARFETCH PORTUGAL — UNIPESSOAL LDA**, com o número único de matrícula e de pessoa colectiva 507398505, sede na Rua Lionesa, n° 446, Edifício G12, freguesia de Custóias, Leça do Balio e Guifões, concelho de Matosinhos, e o capital de quatro milhões de euros, conforme procuração, que arquivo. _____ Verifiquei ainda: _____ Por consulta á certidão permanente através do código de acesso 6246-1730-0626, que a sociedade foi constituída anteriormente a um de Outubro de dois mil e dezoito. _____ A identidade dos outorgantes pelos seus documentos de identificação. _____ E PELO PRIMEIRO OUTORGANTE FOI DITO:

_____. Que pela presente escritura, na qualidade em que outorga e pelo preço de **quinze milhões de euros**, que se encontra pago, dele respeitando **quarenta e quatro mil sessenta e dois euros e cinquenta cêntimos** ao urbano e **catorze milhões novecentos e cinquenta e cinco mil novecentos e trinta e sete euros e cinquenta cêntimos** ao rústico, vende à representado do segundo, o seguinte imóvel: _____ Prédio misto composto por terreno rústico denominado “Quintal da Azenha” ou “Bouça da Sabina” ou “Quinta da Sabina” e terreno para construção, sito no lugar de Sabina, Serbina ou Fafiães, **freguesia de Leça do Balio**, concelho de Matosinhos, inscrito na matriz rústica sob o **artigo 1227 da União das Freguesias de Custóias, Leça do Balio e Guifões**, e na matriz urbana sob o **artigo 10849 da mesma União de Freguesias**, descrito na Conservatória sob o número **três**

3
Livro 341-3
Folha 65

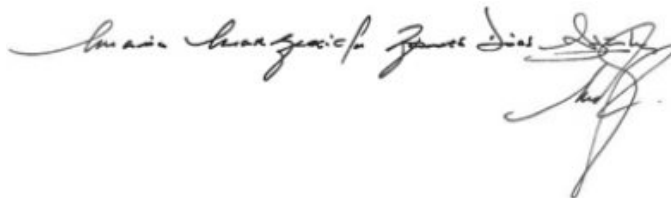

mil setecentos e sessenta e cinco, adquirido por escritura desta data exarada a folhas imediatamente anteriores a estas. _____ MAIS
DECLAROU: _____ Que a sua representada não possui quaisquer prédios contíguos ao ora vendido. _____
PELO SEGUNDO OUTORGANTE FOI DITO: _____ Que aceita para a sociedade que representa a venda que antecede, nos
termos exarados. _____ DECLARARAM AMBOS: _____ | _____ Que no presente contrato não houve mediação
imobiliária. _____ E que o preço foi pago do seguinte modo: _____ Um milhão e quinhentos mil euros em quatro de Janeiro do
ano corrente por transferência bancária da conta ##### do Citibank para a conta #####. _____ Treze milhões e quinhentos
mil euros no dia de hoje por transferência bancária entre as mesmas contas. _____ ASSIM O OUTORGARAM. _____
Arquivo: _____ DUCs 160.719.118.307.035 e 163.819.018.762.229, comprovativos do pagamento de IMT e imposto de selo no dia 5 do
corrente, por transferência bancária nos valores de 750660,94€ e de 120.000,00€. _____ Foram-me exibidas duas
cadernetas prediais obtidas via internet em 23.11.2018, com os elementos da matriz. _____ Os elementos do registo predial verifiquei por
consulta à _____

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certidão permanente com o código de acesso PL-1806-59723-130804-039034. _____ Preveni os outorgantes de que incorrem no crime de desobediência se houverem omitido informação sobre a não intervenção de mediador imobiliário. _____ Os elementos identificativos dos outorgantes e respetivos comprovativos foram recolhidos e reproduzidos com autorização dos respetivos titulares e em conformidade com a Lei do Branqueamento de Capitais (Lei n.º 83/2017, de 18 de Agosto). _____ Esta escritura foi lida aos outorgantes e aos mesmos explicado o seu conteúdo. _____



A Notária,



[LOGO]

Notary

Maria Margarida Gomes Azenha

VAT No. 125 189 680

CERTIFICATE

_____ I hereby undersigned *Paulo Jorge Domingues da Silva Passos*, employee of the **Notary Maria Margarida Gomes Dias Azenha**, with Notary Office at Rua do Raio, Edifício Visconde do Raio, no. 205, 2nd floor, Braga, and duly authorized by her to perform this act under Article 8 of the Decree-law no. 26/2004, of 4th of February, in accordance with express permission published at the Notary Association's Website, certify that the copy attached to this Certificate contains four sheets and was extracted from the deed entered at page 64 of the note record book no. 345B of the notary.

_____ Notary Office of the above-mentioned Notary, on eight of April of two thousand and nineteen,

The Employee,

[SIGNATURE]

Registered within the Notary Association under no. 47/18

Rua do Raio, 205 – 2nd floor | Edifício Visconde do Raio | 4710 – 923 Braga
Tel.: 253 203 290/1/2 | Fax: 253 203 299 | e-mail: margarida.azinha@notarios.pt

PURCHASE AND SALE AGREEMENT

On the eighth of April of two thousand and nineteen, appeared before me, Mrs. **Maria Margarida Gomes Dias Azenha (BA)**, Notary at the Notary Office located at Rua do Raio, no. 205, 2nd floor, Braga, as signees:

FIRST – Paulo Jorge Gomes Rodrigues Pereira de Castro, #####, born in the parish of #####, resident at #####, #####, #####, of this municipality, holder of the identity card no. #####, valid until #####, managing partner of the commercial limited company:

"MEDIDA GABARITO, LDA.", with sole registry number 514693690, with registered offices at Avenida da Liberdade, no. 432, 5th, room 28, in this city, and the share capital of five thousand euros, which in that capacity will sign on behalf of such company, with the necessary powers to perform this act, arising from the articles of association, capacity and powers which I have verified by accessing the company's permanent certificate 4446-7640-0286, through which I have also verified that the company was previously incorporated on the first of October of two thousand and eighteen;

SECOND – Pedro José de Campos Vilela Vitorino, #####, of legal age, born in the parish of #####, municipality of #####, resident at #####, #####, #####, #####, holder of the identity card no. #####, valid until #####, which signs as proxy for the limited single-shareholder company:

____ **FARFETCH PORTUGAL – UNIPessoal LDA.**, with sole registry number 507398505, with registered office at Rua Lionesa, 446, Edifício G12, parish of Custóias, Leça do Balio e Guifões, municipality of Matosinhos, and the share capital of four million euros, in accordance with proxy letter, which I archive. _____

____ I have also certified: _____

____ By consulting the permanent certificate through access code 6246-1730-0626, that the company was previously incorporated on the first of October of two thousand and eighteen. ____

____ The identity of signees by their identity documents. _____

____ AND BY THE FIRST SIGNED WAS DECLARED THAT: _____

____ By this deed, under its capacity and for the price of **fifteen million euros**, which is already paid, being **forty-four thousand and sixty-two euros and fifty cents** relating to the urban part and **fourteen million and nine hundred fifty-five thousand and nine hundred thirty-seven euros and fifty cents** relating to rural part, sells to the second's representative, the property: ____

____ A mixed property composed by a rural terrain named "Quintal da Azenha" or "Bouça da Sabina" or "Quinta da Sabina" and a terrain for construction, located at the place of Sabina, Serbina or Fafiães, **parish of Leça do Balio**, municipality of Matosinhos, recorded at the rural land register under **article 1227 of the Custóias, Leça do Balio and Guifões Parishes' Union** and at the urban land register under **article 10849 of the same Parishes' Union**, described at the Registry under number **three thousand seven hundred and sixty-five**, acquired by deed of this date entered right before these pages.

____MORE DECLARED THAT: _____Its represented does not own
any properties contiguous to the one being sold. _____BY THE SECOND SIGNED WAS DECLARED THAT:
____Accepts this sale on behalf of the company he represents, under the entered terms.
____BOTH DECLARED THAT: _____In this agreement there
was no real estate brokerage. _____And the price was paid as follows:
____One million and five hundred thousand euros on the fourth of January of
the current year by bank transfer from the account no. ##### of Citibank to the account no. #####.
____Thirteen million and five hundred thousand euros today by bank
transfer between those same accounts. _____THUS
THEY SIGNED IT. _____Archive:
____Single Charge Documents no.
160.719.118.307.035 and 163.819.018.762.229 certifying the payment of Municipal Tax on Properties and stamp duty on the fifth day
of current month, by banking transfer in the amount of 750660.94€ and of 120,000.00€. _____

____ It was shown to me two Legal Descriptions obtained in the internet on 11.23.2018, containing land register's elements.

____ Land register's elements were assessed by me through consultation to the Permanent Certificate wit access code PL-1806-59723-130804-039034. _____

____ I made all participants aware that they will be charged with disobedience if they withheld information about the lack of intervention of a real estate broker. _____

____ Identifying elements of signees and their certificates were collected and reproduced with the consent of their holders and in accordance with Anti-Money Laundering Law (Law no. 83/2017, of 18 August).

____ This deed was read aloud to the signees and its content was explained to them. _____

[SIGNATURE]

[SIGNATURE]

The Notary,

[SIGNATURE]

Stat: Entry [HANDWRITTEN] Proc 601 Invoice no. [HANDWRITTEN]/001/2019.

Subsidiaries of Farfetch Limited
(as of December 31, 2019)

Legal Name of Subsidiary	Jurisdiction of Organization
Farfetch.com Ltd	Isle of Man
Farfetch UK Limited	England & Wales
FFBR importacao e exportacao LTDA	Brazil
Farfetch.com Brasil Servicos LTDA	Brazil
Farfetch.com US LLC	United States
Fashion Concierge Powered By Farfetch, LLC	United States
Farfetch Portugal-Unipessoal LDA	Portugal
Farfetch HK Holdings Limited	Hong Kong
Browns (South Molton Street) Limited	England & Wales
Farfetch Japan Co., Ltd	Japan
LASO.CO.LTD	Japan
Farfetch China (HK Holdings) Limited	Hong Kong
Farfetch (Shanghai) E-Commerce Co., Ltd	China
Farfetch HK Production Limited	Hong Kong
Farfetch Store of the Future Limited	England & Wales
Fashion Concierge UK Limited	England & Wales
F&C Fashion Concierge, LDA	Portugal
Farfetch Black & White Limited	England & Wales
Farfetch International Limited	Isle of Man
Farfetch México, S.A. de C.V.	Mexico
Farfetch India Private Limited	India
Farfetch Middle East FZE	United Arab Emirates
Farfetch Italia S.R.L.	Italy
Farfetch Australia Pty Ltd	Australia
Farfetch US Holdings, INC	United States
Fashion Concierge HK Limited	Hong Kong
Farfetch Finance Limited	England & Wales
Yankee Merger Sub, LLC	United States
Stadium Enterprises LLC	United States
SGNY1 LLC	United States
Kicks Lite LLC	United States
Farfetch RU LLC	Russia
Beijing Qizhi Ruisi Information Consulting Co., Ltd	China
Farfetch UK FINCO Limited	England & Wales
Hulk Finco plc	England & Wales
New Guards Group Holding S.p.A	Italy
County S.r.l.	Italy
Off-White Operating S.r.l.	Italy
Venice S.r.l.	Italy
Unravel Project S.r.l.	Italy
Heron Preston S.r.l.	Italy
Alanui S.r.l.	Italy
APA S.r.l.	Italy
Heron Preston Trademark S.r.l.	Italy
KPG S.R.L.	Italy
Off-White Operating Milano S.r.l.	Italy
Off White Operating Holding, Corp.	United States
Off-White Operating Paris S.à r.l.	France
Off White Operating Soho, LLC	United States
Off White Operating Miami, LLC	United States

Off White Operating Vegas, LLC
Off White Operating Los Angeles, LLC
Off White Operating London Limited

United States
United States
England & Wales

**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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant'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
 - (d) Disclosed in this report any change in the registrant'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 registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: March 11, 2020

By: /s/ José Neves

José Neves
Chief Executive Officer
(Principal 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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant'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
 - (d) Disclosed in this report any change in the registrant'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 registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: March 11, 2020

By: /s/ Elliot Jordan

Elliot Jordan
Chief Financial Officer
(Principal Financial Officer)

José Neves
Chief Executive Officer
(Principal Executive Officer)

Elliot Jordan
Chief Financial Officer
(Principal Financial Officer)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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 11, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/PricewaterhouseCoopers LLP
London, United Kingdom
March 11, 2020